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SUMMARY OF TRADE AND TARIFF INFORMATION

Prepared in terms of the Tariff Schedules of the United States

COFFEE

TSUS ITem Nos. 160.10, 160.20 and 160.21

ORIGINAL

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CONTROL NO. 1-11-2
JUNE 1978

United States International Trade Commission / Washington, D.C. 20436

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II

NEWS

UNITED STATES INTERNATIONAL TRADE

FOR RELEASE AT WILL
June 16, 1978

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U.S. INTERNATIONAL TRADE COMMISSION RELEASES A SUMMARY ON COFFEE AS ONE OF A SERIES OF SUMMARIES OF TRADE AND TARIFF INFORMATION

Information on U.S. imports, exports, and production and on world trade in coffee became available today as the United States International Trade Commission released another report in its new, in-depth series of summaries of trade and tariff information.

The summaries of trade and tariff information are designed to meet the needs of wide and varied interests, including the Congress, the courts, Government agencies, importers, domestic producers, research organizations, and many others. The summaries contain descriptions, in terms of the tariff schedules, of the thousands of products imported into the United States, and information on their methods of production, world supplies, and importance, both in international trade and within the domestic economy. The summaries also include substantive analytical material with regard to the basic factors affecting trends in consumption, production, and trade, and factors bearing on the competitive position and economic health of domestic industries.

This report is being distributed to various Government agencies, congressional committees, and interested members of the public. In addition, as a service to the public, the field offices of the Department of Commerce and selected public and university libraries in large cities will be supplied with copies for commercial and professional consultation. Please address all communications regarding this report to the Secretary, U.S. International Trade Commission, 701 E Street, NW, Washington, D.C. 20436.

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UNITED STATES INTERNATIONAL TRADE COMMISSION

SUMMARY OF TRADE AND TARIFF INFORMATION

Prepared in Terms of the
Tariff Schedules of the United States

COFFEE

TSUS Item(s) 160.10, 160.20, 160.21

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IV

Tariff Schedules of the United States

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Schedule 2 – Wood and Paper; Printed Matter

Schedule 3 – Textile Fibers and Textile Products

Schedule 4 – Chemicals and Related Products

Schedule 5 – Nonmetallic Minerals and Products

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Schedule 8 – Special Classification Provisions

FOREWORD

Each Summary of Trade and Tariff Information is part of a series published periodically by the United States International Trade Commission to provide information on conditions of competition between domestic and foreign products. It includes data on trade and development of U.S. industries. This report, which utilizes data available through 1977, represents one of many being published in the current series of summaries.

This series provides comprehensive coverage of product uses, manufacturing processes, and commercial practices, and provides analysis of the numerous factors affecting U.S. and world trade in each commodity area. The summaries are cast in terms of the eight schedules of the Tariff Schedules of the United States (TSUS).

The current series will consist of approximately 1,000 individual reports published in looseleaf form, which will enable the Commission to issue updated pages as appropriate for individual summaries. The overall program will run several years, ultimately covering all items of the TSUS.

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Executive Summary

This summary of trade and tariff information on coffee includes crude or green coffee; roasted and ground coffee; and coffee extracts, essences, and concentrates (instant coffee).

Coffee is consumed as a beverage made from roasted and ground coffee; it is one of the most popular beverages in the United States. In 1977 coffee was consumed by 58 percent of all people over the age of 10 years. During 1973-1977, U.S. apparent consumption of all coffee declined from 2.9 billion pounds to 2.1 billion. In the same period, average consumption per person declined from 2.3 cups to 2.0 cups daily.

In general, coffee prices followed a pattern of slight or moderate price rises during 1973-75, sharp increases in 1975-77, and then price declines in 1977.

Coffee is not grown in the United States except for small amounts produced in Hawaii and Puerto Rico. Most of the coffee consumed in the United States is imported, principally in the crude or green form. During 1973-77, annual domestic production of roasted coffee declined from 2.6 billion pounds (green weight) to 1.9 billion pounds. There are approximately 200 domestic establishments which are primarily engaged in roasting coffee and manufacturing coffee concentrates. There were 268 such establishments in 1967 and the trend has been one of increasing concentration in the industry. In 1976, one firm is estimated to have supplied about 35 percent of the market for regular coffee, and about 50 percent of the market for instant coffee.

U.S. exports of coffee are small in relation to imports, and consist largely of transshipments of foreign merchandise. Canada is generally the major export market.

The United States imports more coffee than any other country, annually importing about one-third of all coffee entering international trade. The total quantity of coffee imported by the United States decreased irregularly from 3.1 billion pounds (green weight), valued at $1.7 billion in 1973, to 2.2 billion pounds, valued at $4.2 billion in 1977. The great majority of the coffee is imported in the green form. Brazil, Colombia, and Mexico are the major U.S. suppliers, as well as the major world producers. Coffee is an important source of foreign exchange for the producing countries. Coffee merchants and agents handle about 75 percent of all coffee shipments into the United States, with the balance purchased directly by the processors from the producing countries.

The United States is a member of the International Coffee Agreement of 1976. This Agreement is essentially a multilateral treaty between major coffee exporting and importing countries to regulate the amount of coffee entering international trade through a system of export quotas and production goals.

Description and Uses

Commodity	TSUS item
Coffee, crude, roasted, or ground, whether or not the caffeine has been removed	160.10
Coffee extracts, essences, and concentrates (including soluble or instant coffee):	
Soluble or instant coffee (containing no admixture of sugar, cereal, or other additive)	160.20
Other	160.21

Note.--For the statutory description, see excerpt from the Tariff Schedules of the United States Annotated (TSUSA-1978) in app. A.

Coffee is the bean (called a berry or cherry as it appears on the tree) of a tropical or subtropical evergreen tree or shrub belonging to the genus Coffea, of which the most important commercial species are C. arabica (arabica) and C. robusta (robusta). Coffee berries (or cherries) are dark green when immature; they ripen to a deep purplish crimson color. The skin of the berry covers a mucilaginous pulp which envelopes a pair of coffee beans each covered by a thin, tough shell (parchment). A semitransparent silver skin separates the beans from their parchment coverings.

Coffee berries are gathered by hand when ripe. In some countries the harvest is made in one collection; however, in other countries several pickings are usually required to gather the entire crop. Coffee is generally consumed as a beverage made from roasted and ground coffee beans. Most coffee, however, enters international trade as green coffee (i.e., unroasted beans). An average of about 6 pounds of fresh berries are required to produce 1 pound of clean green coffee. Green coffee is produced from coffee berries by two methods--the dry method and the wet method. Employment of the dry method involves drying the berries in the sun or artificially, followed by a machine hulling process, which in one operation removes the dried husk, the parchment, and the silver skin coverings. The resultant product is the green coffee of commerce. In the wet method the hull or skin and part of the pulp is removed from the fresh berry leaving the mucilage covered coffee beans. The pulped berries are fermented until the mucilage loosens, and are then washed and dried. The dried berries (parchment coffee) are then milled, removing the parchment and silver skin. Green coffee produced by the wet method is called "washed" coffee.

Coffee is divided into three general groups, designated by the trade as milds, Brazils, and robustas; each of the groups has a wide range of quality. Milds are grown in Central and South America as well as in Kenya, Tanzania, and certain other African countries. The bulk of the Brazilian crops consists of Brazils, but a small portion consists of milds. Milds and Brazils are produced from the same species of coffee tree, C. arabica; the differences between milds and Brazils are due to variations in climate, cultivation, and preparation. Robusta coffees, produced principally in Africa, come from a

separate species of coffee tree and readily distinguished from the other categories. Milds are generally of higher quality than Brazils or robustas and are usually mixed with Brazils to form the blends which constitute most of the coffee consumed. Robustas, which compete in the world market with the lower grade Brazils, have gained widespread popularity in the U.S. market primarily in making soluble coffee.

Coffee is not grown commercially in the continental United States, although small amounts are grown in Puerto Rico and Hawaii. Both Puerto Rican coffee and the Hawaiian coffee, which is known as Kona coffee, are of the arabica type and are classed in the milds group. Kona coffee is used on the west coast of the United States as a blend with Brazils.

The beverage made from the roasted and ground coffee beans is also referred to as coffee. Roasters generally blend various green coffees and then roast the blended coffees in revolving perforated, metal cylinders. Minor amounts are also blended with roasted chicory and various roasted grains. After the moisture is driven off during the roasting process, the beans swell as the gases are liberated and the aromatic oils are driven to the surface of the bean. About 16 percent in weight is lost during the roasting of green beans.

Soluble or instant coffee (Tariff Schedules of the United States (TSUS) item 160.20) consists of the dried water-soluble solids of roasted coffee. It is produced from a liquid extract which is derived by percolating boiling water through ground roasted coffee. This liquid extract is then usually pumped into a spray dryer as a fine mist and emerges as the dried solids. In recent years, instant coffee has also been produced by freeze drying the liquid extract; the extract is frozen and placed in a vacuum chamber where the ice vaporizes without liquefying, leaving the dried water-soluble solids. About 2.5 pounds of green coffee are used in the production of 1 pound of soluble coffee. Small amounts of soluble or instant coffee are mixed with sweeteners and whitening agents and marketed in that form (see the summary on edible preparations, TSUS item 182.98).

The principal products included under the provision for "other coffee extracts, essences, and concentrates" (TSUS item 160.21) are liquid concentrates used for flavoring and beverage purposes; these products are minor items in the domestic and foreign trade of the United States.

U.S. Customs Treatment

U.S. tariffs

Coffee, crude, roasted, or ground, whether or not the caffeine has been removed, is classified for tariff purposes under TSUS item 160.10. Soluble or instant coffee (containing no admixture of sugar, cereal, or other additive) is classified under item 160.20. All other coffee extracts, essences, and concentrates are classified under item 160.21. The rates of duty currently

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applicable to imports of such articles, none of which are eligible for GSP treatment, are shown below:

TSUS item No.	Description	Rates of duty	
		Col. 1	Col. 2
160.10	Coffee, crude, roasted, or ground, whether or not the caffeine has been removed	Free	Free
	Coffee extracts, essences, and concentrates (including soluble or instant coffee):		
160.20	Soluble or instant (containing no admixture of sugar, cereal, or other additive)	Free	Free
160.21	Other	Free	3¢ per lb.

Coffee, crude, roasted, or ground, whether or not the caffeine has been removed (provided for in TSUS item 160.10) is free of duty in both columns 1 and 2. These rates have not changed since August 31, 1963, the date the TSUS became effective. The column 1 duty-free status of TSUS item 160.10 was bound pursuant to a U.S. concession under the General Agreement on Tariffs and Trade (GATT), effective July 31, 1948. As originally adopted, TSUS item 160.20 provided for coffee extracts, essences, and concentrates (including soluble or instant coffee) dutiable at 3¢ per pound in columns 1 and 2, and TSUS item 160.21 provided for the Cuban preferential rate of duty of 2.4¢ per pound. 1/ Public Law 88-337, effective June 30, 1964, deleted TSUS items 160.20 and 160.21 and created new TSUS items 160.20, 160.21, and 160.22. New TSUS item 160.20 provided for soluble or instant coffee (containing no admixture of sugar, cereal, or other additive) with duty-free treatment in columns 1 and 2. TSUS item 160.21 provided for coffee extracts, essences, and concentrates other than soluble or instant coffee dutiable at 3¢ per pound in columns 1 and 2. TSUS item 160.22 provided for coffee extracts, essences, and concentrates other than soluble or instant coffee if the product of Cuba and dutiable at the preferential rate of 2.4¢ per pound. 1/

Pursuant to trade agreement concessions granted in the 6th round of trade negotiations under the GATT (Kennedy round), the column 1 rate of duty for coffee extracts, essences, and concentrates other than soluble or instant

1/ In Proclamation 3447, dated Feb. 3, 1962, the President, acting under the authority of section 620(a) of the Foreign Assistance Act of 1961 (75 Stat. 445), as amended, prohibited the importation into the United States of all goods of Cuban origin and all goods imported from or through Cuba, subject to such exceptions as the Secretary of the Treasury determines to be consistent with the effective operation of the embargo.

coffee, provided for in TSUS item 160.21 was reduced to free in four annual stages beginning January 1, 1968. Since the first stage reductions of the Kennedy round made the preferential rate for products of Cuba obsolete, TSUS item 160.22 was deleted. A tariff history of coffee since August 31, 1963 is presented in table 1, appendix B.

Since articles covered by TSUS items 160.10, 160.20 and 160.21 are already subject to most-favored-nation duty-free status, they are not eligible for duty-free treatment under the Generalized System of Preferences (GSP), established pursuant to the provisions of title V of the Trade Act of 1974.

Neither the duty-free status nor the duties referred to previously in this section of the summary apply to coffee imports into Puerto Rico, including that grown in a foreign country but entering Puerto Rico from the United States. Coffee imported into Puerto Rico is dutiable at 30 cents per pound if raw and 36 cents per pound if roasted or ground; the duty on coffee preparations in any form other than raw, roasted, or ground coffee is computed on the basis of its equivalence in raw coffee. These duties have been imposed by the legislature of Puerto Rico under the authority of section 319 of the Tariff Act of 1930.

Food and Drug Administration requirements

Imported coffee must pass inspection by the Food and Drug Administration (FDA) for damage and contamination. The Federal Food and Drug Act requires FDA to assure the production and distribution of safe and wholesome food products. In recent years crude coffee detentions have generally ranged between 1 and 3 percent of total crude coffee imports. Detentions of other coffee types, such as soluble coffee, have been insignificant. Approximately 70 percent of green coffee detentions are made because of insect infestation, usually due to unsanitary storage conditions. The majority of this coffee is later reconditioned to meet FDA green coffee standards for entry. 1/ Other reasons for green coffee detentions include damaged, bored, and tunneled beans, oil and water stains and damage, mold, bird damage, rodent damage, and foreign substance contamination.

International coffee agreements

Recent international coffee agreements have been multilateral treaty arrangements among the major coffee importing and exporting countries, including the United States. On October 1, 1976, the United States became a member of the most recent agreement, the International Coffee Agreement (ICA) 1976. The 1976 agreement as well as its predecessors, the 1962 and 1968 agreements, is essentially an agreement among major coffee exporting and importing countries to regulate the amount of coffee entering international

1/ An industry study of green coffee detentions placed the cost of reconditioning the 1975 detentions at about 7 cents per pound.

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trade. Forty-two coffee-exporting and 24 coffee-importing countries are currently members of the 1976 agreement (table 2). These members account for about 99 percent of green coffee exports and about 91 percent of green coffee imports. The 1976 agreement is scheduled to expire on September 30, 1982, and members must notify the U.N. Secretary General during the 12 months preceding September 30, 1979, of their intention to participate in the second 3 years of the agreement. Any member can withdraw from the agreement at any time by notifying the U.N. Secretary General. Appendix C describes the circumstances which led to the formulation of past coffee agreements, their structure, and their operation.

The 1976 agreement, administered by the International Coffee Council (ICC), attempts to establish a basic demand-supply balance through a system of export quotas and production goals. 1/ The agreement provides for quotas to come into effect when prices fall to between 63 cents and 77 cents per pound unless the ICC provides otherwise. It also provides for quotas to be automatically suspended if prices for 20 consecutive market days are 15 percent above the ceiling of the price range established by the ICC, or 15 percent or more above the average composite indicator price recorded during the preceding calendar year. The 1976 agreement has a voluntary-, as opposed to a mandatory-, production policy and a provision for a voluntary diversification program. The present agreement's system of quotas have, as yet, not been imposed. Recent price levels have been significantly above the trigger levels and even under the most favorable assumptions prices will probably not fall below 77 cents per pound until 1979-80, at the earliest.

Investigations

The U.S. Tariff Commission (former name of the U.S. International Trade Commission) instituted investigation No. 337-23 on May 14, 1969 (34 F.R. 8320), under section 337, Tariff Act of 1930 (19 U.S.C. 1337), upon complaint alleging unfair methods of competition and unfair acts in the importation and sale of certain coffee concentrates made in accordance with the claims of patents owned by complainant. The investigation was terminated by the Commission on November 13, 1969, without findings and without prejudice to the complainant.

On June 4, 1975, the U.S. International Trade Commission instituted an investigation (No.337-TA-16) on certain Angolan robusta coffee. The complaint alleged that a group of coffee dealers in New York and abroad had conspired by unfair methods of competition and unfair acts to control imports of certain types of Angolan coffee in violation of section 337, Tariff Act of 1930, as amended (19 U.S.C. 1337). On March 25, 1976, the Commission ordered the termination of the investigation, determining that there was no violation of the above-mentioned section.

1/ The ICC is part of the International Coffee Organization (ICO), which was established under the 1962 agreement and is headquartered in London, England.

The Domestic Market

The domestic consumer and product demand

Coffee is one of the most popular beverages in the United States. It is consumed in eating establishments, at home, and at work; in 1977, coffee was consumed by 58 percent of all people over the age of 10 years.

For most coffee drinkers, no beverage can adequately replace coffee; however, the demand for coffee in the United States is elastic to a degree as sharp price rises in relation to real income have generally been followed by declines in per capita consumption as was evidenced in 1977. However, the reverse does not seem to be true; lower per capita consumption levels tended to perpetuate themselves during 1973-75 despite the fact that coffee was a consistent underperformer relative to the Consumer Price Index (CPI) (table 3). In effect, many of the goods and services normally sought by consumers increased in price considerably more than the retail price of coffee, yet per cup per person consumption of coffee declined over the period. Various other factors such as coffee quality and taste, changing consumer preferences, and eating habits also affect demand. Sales of chicory, other coffee substitutes, and mixtures of coffee with coffee substitutes, all compete with sales of coffee, depending on price relationships and consumer preferences. 1/

U.S. consumption

During 1973-77, annual U.S. apparent consumption of coffee (green coffee equivalent) declined from 2.9 billion pounds to 2.1 billion pounds (table 4). During 1973-76 average annual consumption was relatively stable, but declined sharply (about 25 percent) in 1977.

It has been estimated by the ICO that, in 1977, persons 10 years of age and over drank an average of 2.03 cups of coffee per day. The trend in coffee drinking in the United States has been declining since 1962, when the daily consumption of coffee was 3.12 cups per person, while in 1977 it was 2.03 cups, an absolute decline of 1.09 cups per person over the period (table 5). Various reasons have been given for the long-term decline in coffee drinking. An ICO-sponsored research study conducted in recent years concluded that a major cause of lower rates of coffee drinking was consumers' dissatisfaction with taste. Vending machine coffee served in restaurants received special criticism. Consumer preference for cold beverages and changes in eating habits, such as skipping breakfast, were also factors.

U.S. daily per capita consumption of coffee, by types, for selected years during 1962-77, as estimated by the ICO and the Pan American Coffee Bureau (PACB), are shown in the following tabulation:

1/ Ground or otherwise prepared chicory root is provided for under item 160.35, while other coffee substitutes and mixtures of coffee with coffee substitutes are provided for under item 160.40. Common substitutes include roasted wheat, barley, barley malt, chick peas (garbanzos), and vegetable roots.

Type	Cups per person per day				Decrease, 1977 over 1962
	1962	1975	1976	1977	
Regular	2.45	1.52	1.48	1.39	1.06
Instant	.67	.68	.63	.64	.03
Total	3.12	2.20	2.11	2.03	1.09

Data collected by the ICO and the PACB indicate that the share of U.S. population over 10 years of age consuming coffee declined from 75 percent in 1962 to 58 percent in 1977. The recent trend has been for younger consumers to drink less coffee than their predecessors. The following tabulation shows the various age groups within the U.S. population that drank coffee in selected years (in percent):

Age group	1962	1975	1976	1977
10 to 19	25	16	13	13
20 to 29	81	53	49	49
30 to 59	91	81	79	77
60 and over	88	88	86	82
All ages	75	62	59	58

In 1962, 81 percent of all persons in the United States 20 to 29 years old drank coffee, while only 49 percent of the consumers in that age group did in 1977.

In 1977 about 80 percent of the coffee consumed in the United States was consumed in the home, 12 percent in work locations, and 8 percent in eating places. About 44 percent was consumed at breakfast, 33 percent between meals, and 23 percent at meals other than breakfast. Coffee consumption has historically risen in the colder winter months along with the consumption of other hot beverages. Consumer preference for soluble or instant coffee has been increasing in relation to the share of the market held by regular coffee (ground roasted). In 1968 the ratio of regular coffee consumption to soluble coffee consumption was 3.3 to 1. By 1973, it had changed to 2.3 to 1, and, by 1977, it was 2.2 to 1 (table 5).

Since coffee is not grown in the United States, with the exception of Hawaii and Puerto Rico, imports constitute the major source of supply. Hawaiian and Puerto Rican green coffee production is minimal in comparison

with green coffee imports. During 1973-77, annual domestic production was equivalent to about 1 percent, by quantity, of total annual green coffee imports (table 6).

Most U.S. consumption of roasted or ground coffee is supplied by domestic production. During 1973-77, domestic production ranged from 2,148 million pounds in 1973 to 1,552 million in 1977, while imports ranged from 25 million pounds in 1974 to 60 million in 1977 and accounted for 1 to 4 percent of domestic consumption (table 7).

U.S. production of soluble coffee ranged from 420 million pounds in 1973 to 339 million in 1977. During the period, the annual ratios of imports to consumption of soluble coffee were relatively stable at about 31 percent except in 1975 when the ratio was 25 percent (table 8).

U.S. exports of green and roasted coffee are small compared either to the volume of imports of green coffee or to the production of roasted coffee. Since coffee is not grown in the continental United States, most of the U.S. exports of green coffee are foreign merchandise. U.S. exports of coffee extracts have consisted almost entirely of soluble or instant coffee. During 1973-77 average annual exports of roasted coffee were equal to about 1 percent of the domestic production of such coffee while exports of coffee extracts including soluble averaged 6 percent of domestic production (tables 7 and 8).

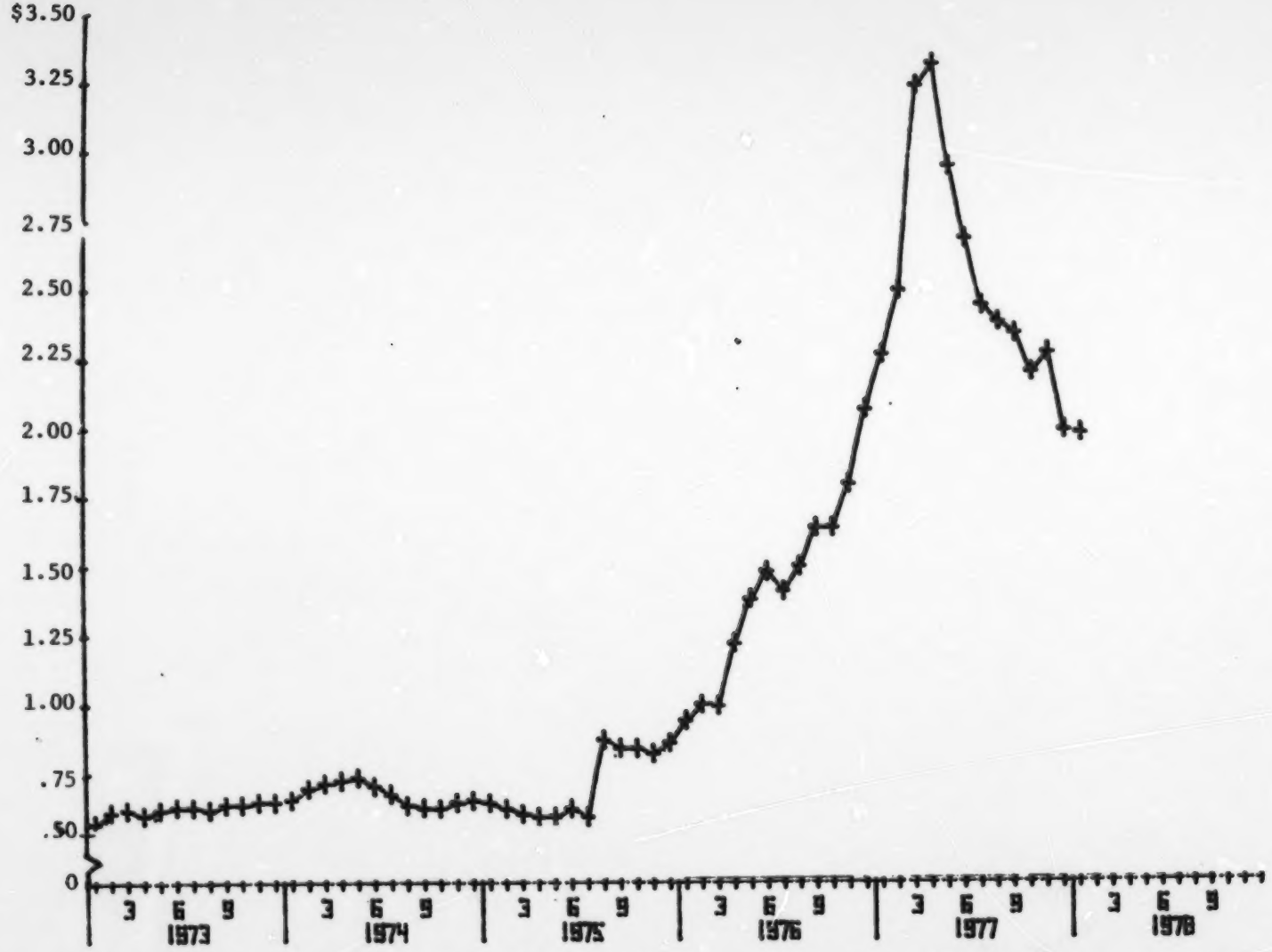
U.S. prices

In the marketing channels of the United States, coffee is basically priced and sold at three different levels; green, wholesale, and retail. Tables 9-11 and figures 1-3 show prices at the green, wholesale, and retail levels for certain coffees marketed in the United States during the last 5 years. In general, the prices of coffee at all three marketing levels followed very similar patterns during the period: Slight or moderate price rises during 1973-75, sharp increases in 1975-77, and then price declines in 1977.

Green coffee prices.--Many factors affect green coffee prices including economic-political considerations, speculation, weather and natural disasters, stocks on hand, actions taken by producing countries, and the ICA. Historically, green coffee prices have been subject to wide fluctuation because of the differing degrees of influence of these and other factors. Green coffee prices in the New York market increased from an annual average price of 62 cents per pound in 1973 to $2.56 per pound in 1977, with most of the increase taking place after 1975. In July 1975, a frost seriously damaged Brazil's coffee crop and proved to be a catalyst for an unprecedented price rise.

The Brazilian frost damage, combined with low world stocks, civil unrest in Angola, Ethiopia, and other coffee-producing countries, plus an earthquake in Guatemala as well as various other factors, placed continuous upward pressure on green coffee prices until they peaked at $3.33 per pound in April 1977. Since that date, green coffee prices have declined and in January 1978 were reported at $2.00 per pound (table 9 and fig. 1).

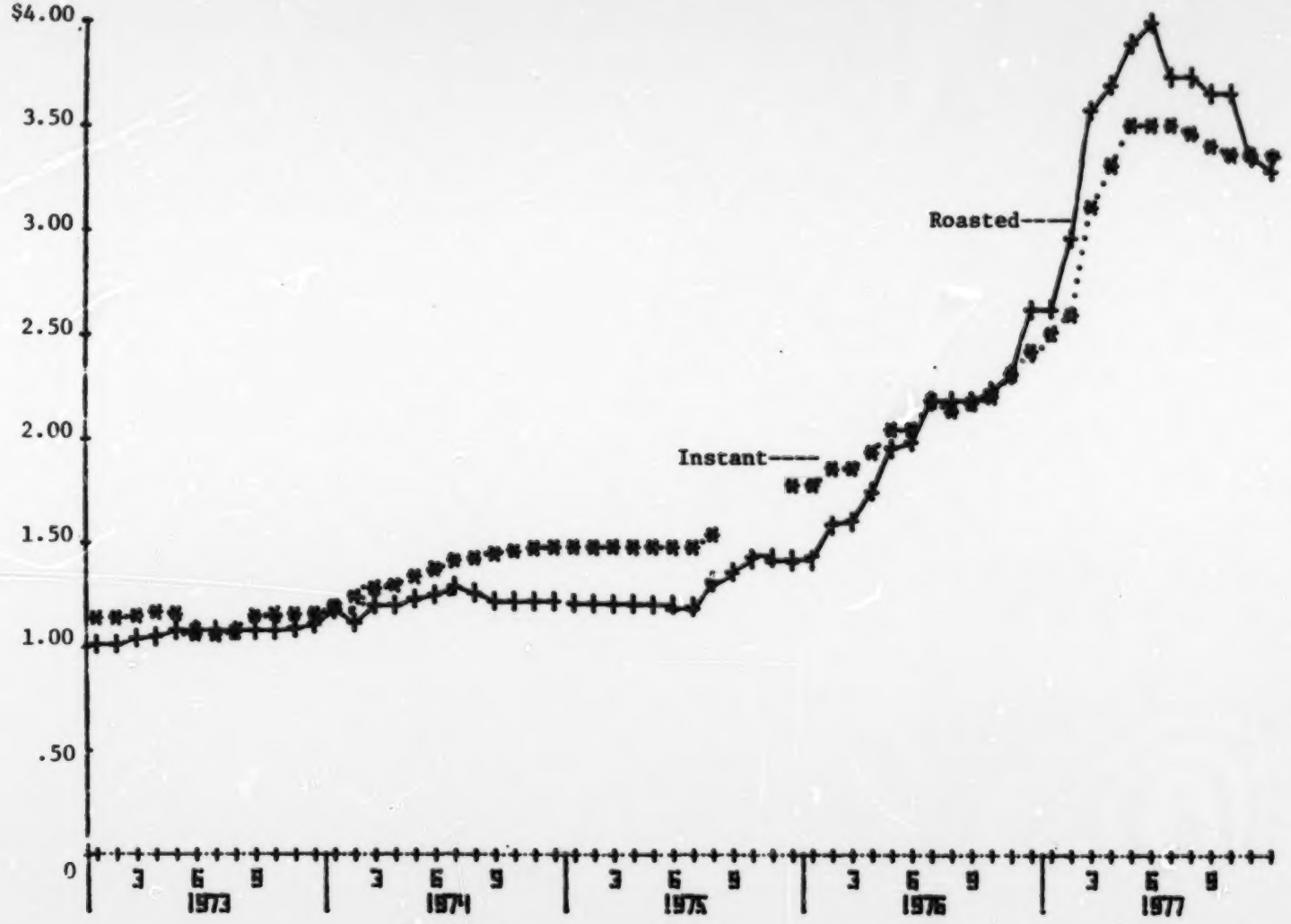
Figure 1.--Green coffee: International Coffee Organization (ICO) composite prices, 1/ by months, 1973-77 and January 1978.



1/ ICO composite price, on the basis of the 1968 agreement, of 4 major coffee growths, i.e., Colombian mild arabica, other mild arabica, unwashed arabica (Brazilian), and robusta, New York price.

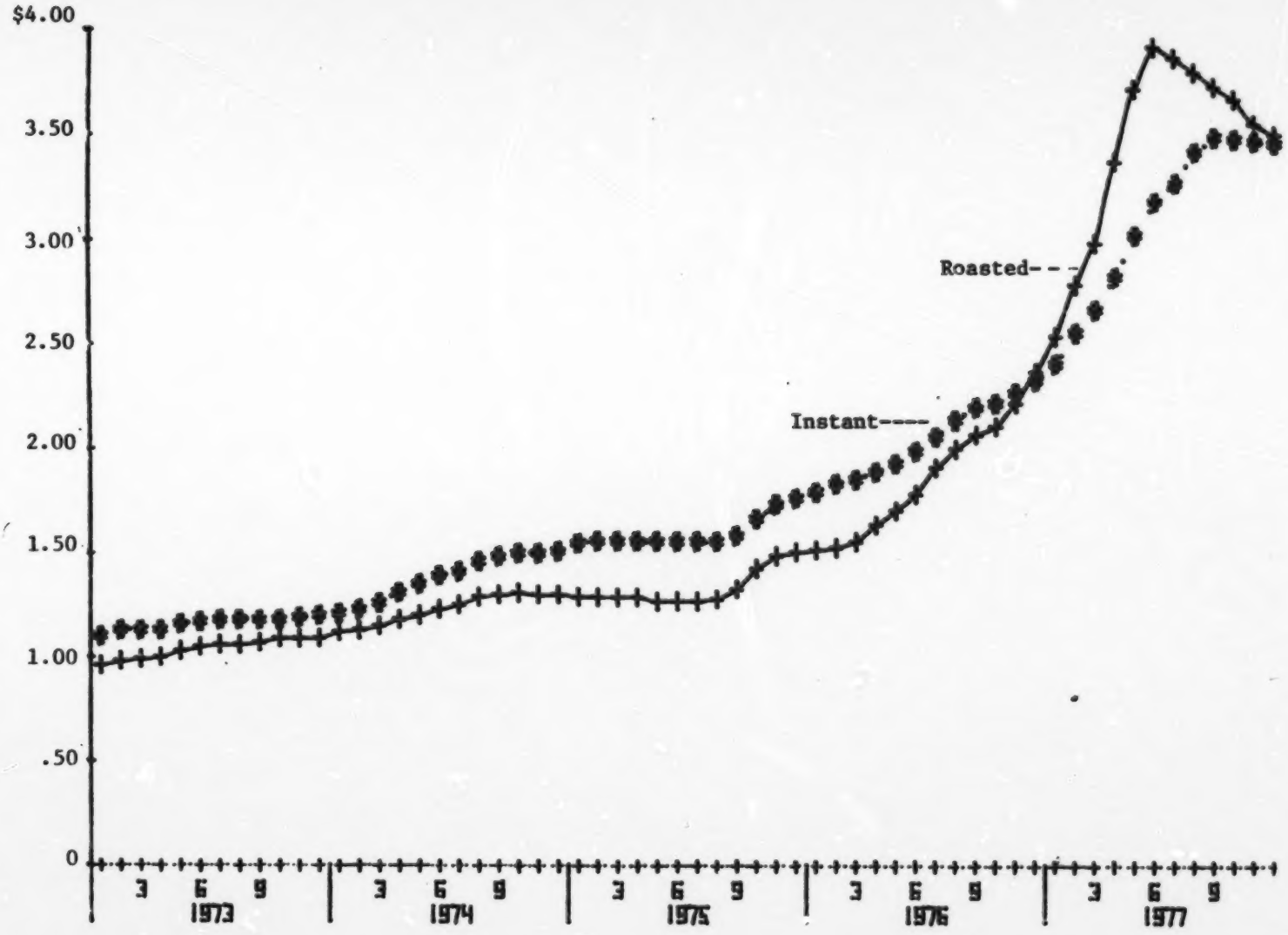
Source: Based on data in table 9.

Figure 2.--Coffee: U.S. average wholesale prices for regular roasted (1-pound vacuum can) and instant (6-ounce jar), by months, 1973-77.



Source: Based on data in table 10.

Figure 3.--Coffee: U.S. average retail prices, for regular roasted (1-pound vacuum can) and instant (6-ounce jar), by months, 1973-77.



Source: Based on data in table 11.

Wholesale coffee prices.--Average annual wholesale prices for regular roasted and instant coffee during 1973-77 generally followed the same upward path as green coffee prices, but at a more gradual rate. The average annual wholesale price of a 1-pound vacuum can of roasted coffee increased from $1.07 in 1973 to $3.52 in 1977. The average monthly price peaked in June 1977 at about $4.00 per pound can and then declined through the remainder of the year. The average annual wholesale price of a 6-ounce jar of instant coffee also increased continuously, from $1.19 in 1973 to $3.28 in 1977. The average monthly wholesale price reached $3.51 in May-July of 1977 and then declined for the remainder of the year (table 10 and fig. 2).

Retail coffee prices.--Average annual retail prices for regular roasted and instant coffee during 1973-77 were almost identical to wholesale prices and at times were slightly less. Coffee is often used in promotional activities in retail sales. The average annual retail price of a 1-pound vacuum can of roasted coffee increased almost without interruption during 1973-77 from $1.04 in 1973 to $3.47 per pound in 1977. The average monthly price peaked in June 1977 at $3.94 per pound. In comparison the average annual price of a 6-ounce jar of instant coffee increased from $1.16 in 1973 to $3.12 in 1977. The monthly average price for a 6-ounce jar of instant coffee peaked in September 1977 at $3.51 (table 11 and fig. 3).

Table 3 shows the average annual retail price of a 1-pound can of roasted coffee, the consumer price index (all items), and the annual retail coffee price in constant dollars during 1973-77. The price in constant dollars indicated that real coffee price fluctuated over a narrow range during 1973-75, but more than doubled from 1975 to 1977.

U.S. Production

Domestic producers

Recent congressional testimony has indicated there are presently about 200 establishments which are primarily engaged in roasting coffee and manufacturing coffee concentrates and extract in powdered, liquid, or frozen form. The U.S. Department of Commerce reports that in 1967 there were 268 such establishments with 16,200 employees, while in 1972 there were 208 establishments employing 12,600, and in 1976 the coffee industry employed about 11,400 persons. The value of shipments of coffee products for 1967, 1972, and 1976 was $1,794 million, $2,163 and $4,275 million, respectively. During 1967-77 the trend in the industry was toward increasing concentration. Trade sources indicate concentration in the coffee-processing industry tends to increase during periods of high green coffee prices because smaller firms have more difficulty competing on a product-for-product basis with larger roasters.

Market share and concentration levels of U.S. industry.--The U.S. coffee processing industry consists of regional roasters and packers including retail grocery companies and large national food manufacturers. Many processors are independent roasters who prepare their own brands and products for chain

grocers. Others are national or regional food manufacturers who prepare their company's brands of coffee. Coffee is also processed by small food manufacturers and specialty shops. In 1976, one firm, with four processing plants located throughout the United States, supplied about 35 percent of the market for regular coffee, and 50 percent of the market for instant coffee (table 12). The five largest firms supplied about 67 percent of the market for regular coffee and 89 percent of the instant market.

Profit levels.--Coffee is a highly competitive grocery item and trade sources indicate that both processors and retailers operate at low profit margins in order to compete. Since the Brazilian frost in 1975 and the resulting high green coffee prices, processors indicate that overall profit margins have declined, and that, in general, they have suffered a significant cash drain. In the 18 months after the Brazilian frost in July 1975, the aftertax profit margin of a leading processor-distributor (Maxwell House Division of General Foods), as a percentage of net revenue, was less than the 3.9 percent margin earned by General Foods Corp. as a whole. 1/ Coffee has traditionally been used as a "loss leader" by retailers to entice consumers to shop in a given store, and consequently they promote coffee sales through various advertising specials and coupon allowances, which reduce the profit margin. In fact, it is not unusual for national food chains which market multiple product lines to sell coffee below replacement cost in order to draw customers into their stores.

Production levels and trends

During the years 1973-77, the amount of green coffee roasted in the United States ranged from 2.6 billion pounds (green weight) in 1973 to 1.9 billion in 1977 and averaged 2.4 billion annually. Roastings in 1977 were 25 percent lower than the previous year's roastings. During 1973-77, about 393 million pounds of green coffee were used annually in the production of soluble coffee. Roastings for soluble use were fairly stable throughout 1973-76, but dropped sharply in 1977. The following tabulation shows total U.S. coffee roastings, and roastings for the production of soluble coffee during 1973-77, as reported by the U.S. Department of Commerce (in millions of pounds, green-weight equivalent):

1/ William Tower, President, Maxwell House Division of General Foods Corp., before certain subcommittees of the Committee on Government Operations and the Committee on Agriculture, U.S. House of Representatives, 95th Cong., 1st Sess., Feb. 23, 1977.

Year	U.S. coffee roastings--	
	For soluble coffee	Total
1973	420	2,568
1974	404	2,456
1975	400	2,454
1976	400	2,522
1977	359	1,891

Coffee roastings traditionally increase during the colder quarters of the year--January-March and October-December.

Stocks

Coffee processors generally try to maintain a low level of inventories thereby tying up the least possible amount of working funds. During 1973-77, the U.S. Department of Commerce reports that green coffee inventories ranged from 548 million pounds in 1973 to 219 million in 1977. The following tabulation shows yearend green coffee inventories held in the United States and the shares held by roasters in 1973-77:

Date	Green coffee inventories	Share of green coffee inventories held by roasters
Dec. 31--	Million pounds	Percent
1973	548	70
1974	366	78
1975	437	79
1976	371	77
1977	219	79

In 1977, total inventories declined by about 41 percent from the previous year. During the last 5 years the percent of green coffee inventories held by roasters has ranged from 70 percent in 1973 to 79 percent in 1975 and 1977, as shown in the preceding tabulation.

Pricing and marketing of U.S. production

Pricing methods.--Once coffee is imported and processed it is generally sold to the wholesaler. Because of the substantial investment required in the purchase of green coffee, most processors employ a wholesale pricing policy designed to meet the current replacement cost of their raw material. Such

pricing is geared to time revenue obtained from sales of finished product to meet the current replacment cost of raw material. It might be noted that, after an announced price increase, it is customary to allow wholesale customers a certain number of days (usually about 30) to purchase coffee at the old price. This time period combined with the time it takes for the invoice to actually be paid usually amounts to about 60 days, which is about the same time usually required for green coffee delivery and payment under a "prompt shipment" purchase agreement.

A major coffee roaster indicated that the components of its February 1977 selling price of $3.31 per pound were as follows: $2.72 or 82.2 percent was for green coffee (adjusted for shrinkage); 25 cents or 7.6 percent was for marketing expenses; 16 cents or 4.8 percent was for packaging material, labor, and delivery costs; 11 cents or 3.3 percent was for overhead, profit, and taxes; and 7 cents or 2.1 percent provided for a cash discount to the grocery trade.

In the wholesale coffee market, processors generally sell to the grocery trade. Wholesale prices are usually set by the largest processors. Changes in wholesale quotations by one or more of these industry leaders are usually followed by widespread competitive moves by other processors. However, it should be noted that even though quoted wholesale prices may be stable over certain periods, various types of promotional discounts and special promotional tie-in sales may result in real wholesale prices to the grocery trade which vary considerably from month to month.

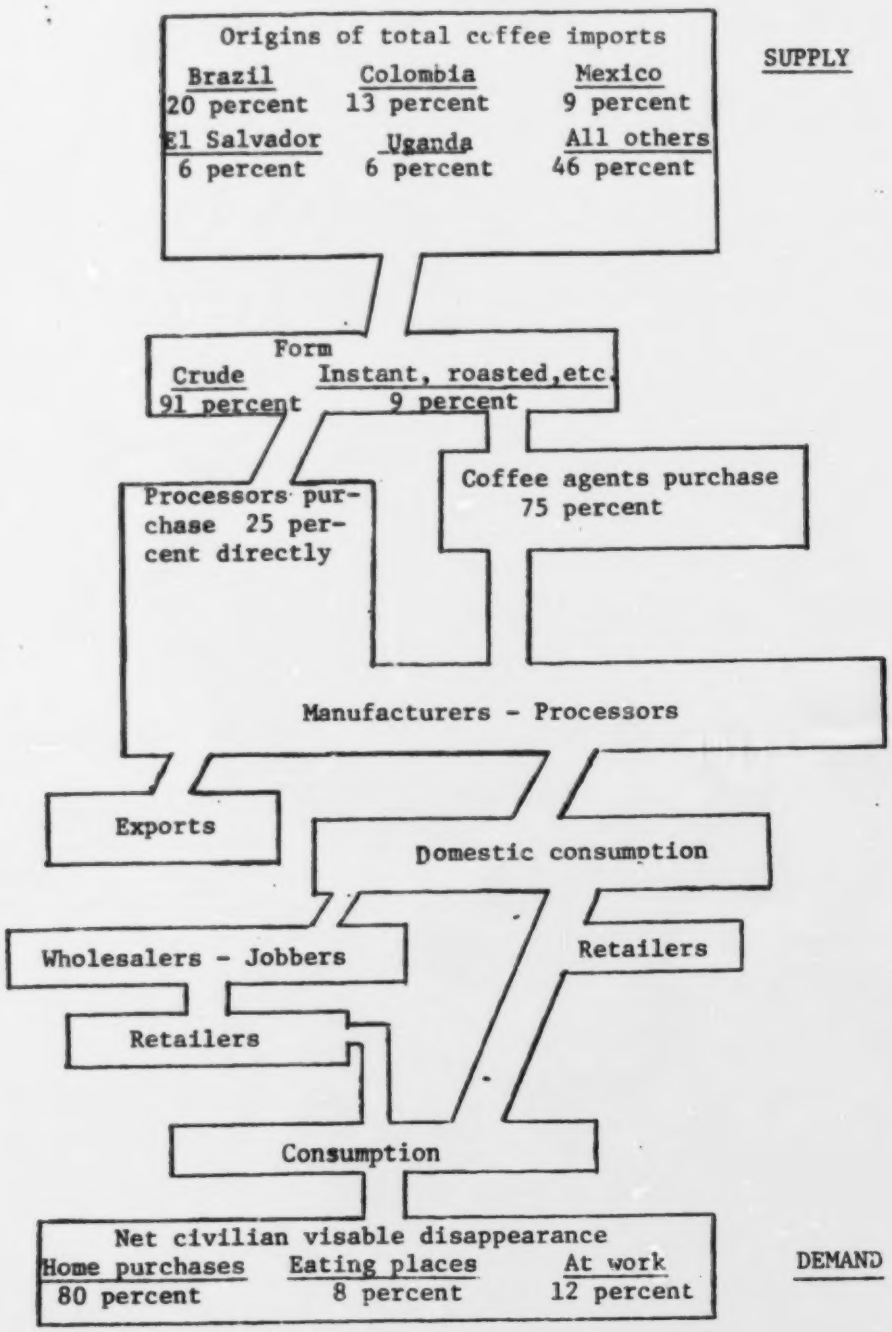
Distribution.--Coffee flows through the domestic marketing channel from the processor and the wholesaler to the final consumer through the retail grocery companies (supermarkets), institutional outlets, specialty shops, and other wholesalers and retailers. Trade sources indicate that the average U.S. supermarket sells about 25 different brands of coffee. The majority of these consist of regional and private-label brands and are normally available for purchase at a wide range of retail prices. The institutional market consists of restaurants, hotels, and fast-food outlets, as well as other public and private facilities. These outlets are generally supplied by regional and local coffee processors and wholesalers. Specialty shops generally purchase green beans or special-order blends and roastings directly from importers and roasters, and usually offer a high-priced product. Figure 4, which follows, shows the channels through which coffee is marketed.

U.S. Exports

U.S. export levels and trends

U.S. exports of green and roasted coffee are small, compared with imports. U.S. exports of coffee extracts have consisted almost entirely of soluble or instant coffee. Canada has usually been the principal market for coffee exports (tables 13-15). In 1977, total coffee exports amounted to about 259 million pounds (green weight) (table 4). Most of the exports of green coffee are transshipments of foreign merchandise. Total transshipments

Figure 4.--Coffee: U.S. channels of distribution for imported coffee, 1977.



Source: Based on official statistics of the U.S. Department of Commerce, the International Coffee Organization, and trade estimates.

of coffee amounted to $362 million or 78 percent of the value of total coffee exports in 1977 (tables 16-18).

Green coffee.--During 1973-77, U.S. exports of green coffee ranged from 100 pounds, valued at $63 million, in 1975 to 208 million pounds, valued at $405 million, in 1977. In 1977 approximately 88 percent, by value, of total exports was foreign merchandise (transshipments). Exports of domestic merchandise reached 25 million pounds, valued at a record high $48 million, in 1977. Historically, Canada has been the major market, but in 1977 the Federal Republic of Germany (West Germany) was the major importing country of domestic merchandise, accounting for about half of total exports. Average annual export values were relatively stable during 1973-75, but increased dramatically in 1976 and 1977 (tables 13 and 16).

Roasted or ground coffee.--U.S. exports of roasted or ground coffee during 1973-77 ranged from 12 million pounds, valued at $13 million, in 1974 to about 26 million pounds, valued at $36 million, in 1977. About 89 percent, by value, of total exports in 1977 consisted of domestic merchandise. Exports of such coffee increased irregularly throughout the period to a high of 23 million pounds, valued at approximately $32 million, in 1977, with about three-quarters of U.S. exports entering the Canadian market. Other important foreign markets for domestic merchandise are Saudi Arabia, Hong Kong, and Bermuda. Average annual export unit values increased moderately during 1973-75, increased sharply in 1976, and then declined in 1977 (tables 14 and 17).

Soluble or instant coffee.--In 1973-77, U.S exports of soluble or instant coffee ranged from 7 million pounds, valued at $21 million, in 1976 to 11 million pounds, valued at approximately $29 million, in 1975. Total exports in 1977 reached 8 million pounds, valued at a record high $35 million. In 1977, about 72 percent, by value, of total exports was domestic merchandise. These exports amounted to 6 million pounds, valued at $25 million, in 1977. The Canadian market accounted for about one-third of the total value of exports, with Japan accounting for about one-fifth. Other major markets include Saudi Arabia, Australia, Republic of China, and Singapore. Annual average unit values increased regularly during 1973-77, with the sharpest rise (39 percent) occurring from 1976 to 1977 (tables 15 and 18).

Exporters

The larger coffee trading companies (merchants and agents) are believed to account for the majority of U.S. exports of green coffee. Owing to such factors as the impassability of the Saint Lawrence Seaway in the winter months and the New York location of the spot coffee market, it is not uncommon for coffee traders to enter green coffee at New York and then later export the coffee to Canada. Exporters of roasted and soluble coffee are believed to be the larger multinational processing companies. Generally, these firms have established processing subsidiaries and distribution networks in the foreign market.

The foreign market

Because of factors such as the perishability of coffee and shipping costs, most foreign countries which consume sizable amounts of coffee have their own processing plants, e.g., Brazil, West Germany, and Japan. Consequently, with the exception of shipments to Canada (and to West Germany in 1977), U.S. exports of domestic merchandise have not been substantial in relation to U.S. production. Many foreign markets also require import permits which, along with licensing requirements, duties, and excise taxes, hinder U.S. exports to some degree. It might be noted that coffee consumption in certain "nontraditional coffee drinking nations," such as Japan, has been increasing in recent years, but the product consumed has primarily been processed locally, inasmuch as these countries have chosen to expand production of the finished product rather than import it.

U.S. Imports

U.S. import levels and trends

The United States imports more coffee than any other country, annually importing about one-third of all coffee entering international trade. During 1973-77, U.S. imports of coffee (green-weight equivalent) averaged approximately 2.7 billion pounds each year, with a value of $2.4 billion. The total quantity of coffee imported decreased irregularly from 3.1 billion pounds (green-weight equivalent) in 1973 to 2.2 billion in 1977. The great majority of the coffee is imported in the green form.

Green coffee.--During 1973-77, U.S. imports of green coffee decreased irregularly from 2.9 billion pounds, valued at $1.6 billion, in 1973 to 2.0 billion, valued at $3.9 billion, in 1977. In 1977, 91 percent of the imports entered in the green form. Green coffee is sold in the cash market and the futures market. Green coffee is imported principally through the ports of New York, New Orleans, and San Francisco from about 50 countries with Brazil and Colombia the major suppliers. In 1977, Brazil supplied 324 million pounds (17 percent), valued at $625 million, and Colombia, 258 million pounds (13 percent), with a value of $517 million. Other major suppliers include Mexico, El Salvador, Uganda, Indonesia, Guatemala, and the Ivory Coast. Average annual unit values for green coffee were relatively stable during 1973-75 averaging about 57 cents per pound. The unit value increased sharply in 1976, and then almost doubled in 1977 to $1.97 per pound (tables 19 and 20).

Roasted or ground coffee.--U.S. imports of roasted or ground coffee during 1973-77 increased irregularly from 35 million pounds, valued at $20 million, in 1973 to 50 million pounds, valued at $99 million, in 1977. In 1977, in terms of green-weight equivalent, about 3 percent of total coffee imports entered in the roasted or ground form. Roasted or ground coffee is imported from about 30 countries, with the Dominican Republic, Mexico, and Colombia accounting for over 80 percent of the U.S. supply in 1977. Other suppliers include Costa Rica, Brazil, Panama, and El Salvador. The average

annual unit value for roasted or ground coffee in 1973 was 58 cents per pound. The average unit value increased moderately in 1974, remained about the same in 1975, increased sharply in 1976, and then rose to a record high of $1.97 per pound in 1977 (tables 19 and 21).

Soluble or instant coffee.--During 1973-77, U.S. imports of soluble or instant coffee ranged from about 72 million pounds in 1974 to 49 million pounds in 1975. Total imports in 1977 were approximately 56 million pounds valued at $282 million. U.S. imports of soluble or instant coffee amounted to about 6 percent of total coffee imports (green-weight equivalent) in 1977. Brazil is, by far, the major supplier accounting for 74 percent of the imports in 1977. France, Canada, Spain, Colombia, and West Germany are also suppliers. During 1973-75, average annual unit values increased moderately from $1.49 per pound to $1.77. In 1976, unit values increased sharply to $2.60 and then nearly doubled in 1977 to $5.08 (tables 19 and 22).

Coffee extracts, essences, and concentrates excluding instants.--U.S. imports of coffee items classified under TSUS item 160.21 are small in comparison with other coffee forms. During 1973-77, imports increased dramatically from 74,000 pounds, valued at $51,000, in 1973 to 903,000 pounds, valued at $2.8 million, in 1977. These forms of coffee accounted for less than 1 percent of total coffee imports (green-weight equivalent) in 1977. The Netherlands and Uganda each supplied 30 percent of the U.S. imports in 1977. El Salvador, Guatemala, Belgium, and Brazil are also suppliers. The average annual unit value of imports increased irregularly from 69 cents per pound in 1973 to $3.12 per pound in 1977 (tables 19 and 23).

Importers

Coffee is imported by agents and merchants who in turn sell the coffee directly to processors and to other merchants who resell to processors. Coffee is also imported directly by processing companies. In recent years, merchants and agents have handled about 75 percent of all coffee shipments entering the United States with the balance purchased directly by the processors from the producing countries. In the United States there are presently about 100 green coffee importing agents and merchants and about 200 processing companies. A processor may purchase coffee directly from producing countries and also purchase additional supplies from importing agents. Trade sources estimate about 40 percent of total imports are handled by four importing companies.

The coffee merchant or "middle man's" basic function is to provide the necessary expertise to buy, ship, and finance the coffee prior to the buyer taking actual possession. The merchants usually have established connections in the producing areas, and through worldwide communication networks make instantaneous analysis of the market. Several U.S. importers also function as exporters in producing countries.

Foreign producers

Coffee, one of the major items of international trade, is grown in many tropical and subtropical areas. The principal coffee producing areas of the world are South America and Africa (table 24). In the 1977/78 crop year, South American countries accounted for about 44 percent of total world production, while African countries produced about 25 percent. North America, including Central America, produced 21 percent, Asia accounted for about 9 percent, and Oceania grew less than 1 percent. During 1973/74 to 1977/78, annual world coffee production ranged from 8.1 billion pounds to 10.7 billion pounds and averaged 9.2 billion pounds. Adverse weather has caused periodic dips in production, particularly in Brazil where a portion of the coffee growing region is susceptible to frost. The Brazilian frost damage, in combination with civil unrest in Angola and Ethiopia and an earthquake in Guatemala, reduced 1976/77 production to about 8.1 billion pounds. This low level of production resulted in stock depletion by certain producing countries and in turn increased prices to record highs. Production levels increased moderately in 1977/78 to 9.2 billion pounds.

The major coffee producing countries include Brazil, Colombia, Mexico, Ivory Coast, Indonesia, Uganda, Guatemala, El Salvador, and Ethiopia. Brazil has traditionally been the world's largest producer and approximately two decades ago produced over half of the world's supply. But Brazilian production has been declining in relation to other producers, and in 1977/78 amounted to about 24 percent of world production. Various factors, including planned Brazilian crop diversification, natural disasters such as the frost of 1975, and the increasing production of other countries--especially the robusta coffee producing areas of Africa--have all influenced the relative decline of the Brazilian share. The major country shares of total world production in the 1977/78 crop year, other than Brazil, were as follows: Colombia--14 percent; Mexico--6 percent; Ivory Coast--5 percent; Indonesia, Uganda, and Guatemala--each 4 percent; and El Salvador and Ethiopia--each 3 percent.

Coffee is an important source of foreign exchange earnings for the majority of the producing countries (table 25). In 1976, coffee accounted for over half of the total value of exports from Colombia, and about 46 percent of the value of exports from El Salvador. The value of coffee exports from Costa Rica, Guatemala, Honduras, Nicaragua, and Brazil were all over 20 percent of the value of their total exports. In 1976, coffee represented nearly 86 percent of the total value of exports in Uganda and 56 percent in Ethiopia. In the Cameroons, Ivory Coast, Kenya, Madagascar, and Tanzania coffee represented over 25 percent of the total value of their exports in 1976.

Many of the producing countries have governmental or quasi-governmental agencies which take responsibility for the economic survival of their respective coffee industries by allocating coffee earnings. These agencies may set minimum prices for growers, buy coffee, store coffee, set export tax rates (nearly all coffee producing countries have an export tax on coffee), and minimum registration prices for exports. Revenues collected are generally used for the welfare of the country's coffee industry on such projects as

scientific research, financial assistance to farmers, and the purchasing, marketing, and storage of coffee. Some of the more important producing countries which have coffee agencies and the name of their respective agencies follow: Brazil--Brazilian Coffee Institute (IBC), Colombia--Colombian National Federation of Coffee Growers (FEDECAFE), Mexico--Mexican Coffee Institute (INMECAFE), Ivory Coast--Ivory Coast Marketing Board (Caisse), Uganda--Uganda Coffee Marketing Board, Guatemala--Coffee Exporters Association (ANACAFE), and El Salvador--El Salvador Coffee Company.

World Trade

Major world coffee producers and consumers

Producers.--Global exports of green coffee during 1972/73 to 1976/77 ranged from 6.9 billion pounds to 7.9 billion pounds and averaged 7.5 billion for the period (table 26). Nine countries supplied about 70 percent of world exports in the last five crop years. The share of world coffee exports that each of these nine countries supplied in 1972/73 and 1976/77 is shown below.

Country	1972/73 1/	1976/77 1/
Brazil	30.5	28.6
Colombia	10.4	10.2
Ivory Coast	6.0	8.8
El Salvador	4.0	5.5
Uganda	6.0	4.7
Indonesia	2.6	4.1
Guatemala	3.4	4.0
Mexico	4.0	3.8
Kenya	2.0	2.8
Total	68.9	72.5

1/ Crop year October-September.

Brazil was the major exporter, accounting for about 29 percent of green coffee exports in 1976/77. Colombia was second, accounting for about 10 percent, and the Ivory Coast was third with 9 percent.

Table 27 traces green coffee trade between six major producing countries and the major consuming countries of the world in calendar year 1976. In most cases Brazil is the major source of imports and supplied especially large quantities of green coffee to the United States, Italy, West Germany, Sweden, and the United Kingdom. Colombia was the major supplier of green coffee for West Germany and the Netherlands. The Ivory Coast was the primary source of green coffee imports into France, while Mexico exported substantial quantities to the United States.

The 1975 frost destroyed or severely damaged 1.5 of 2.9 billion coffee trees in Brazil. Immediately thereafter, the Brazilian government embarked on a $1 billion replanting program to restore its coffee production. Barring further complications, Brazil should produce a normal crop of about 3.3 to 3.7 billion pounds in 1979. A coffee tree takes about four years to produce beans and then produces for 15-20 years. Recently, Colombia announced it would be spending $70 million to finance the planting of 200,000 hectares of coffee trees. In addition, because of higher green coffee prices, many producing countries have adopted policies to increase the use of fertilizers and pesticides, and coffee farmers are reportedly taking especially good care of the trees in an attempt to maximize production. In short, assuming normal country harvests and barring any new frosts or other difficulties, world supplies should increase significantly by 1979.

Consumers.--During 1973/74 to 1976/77 annual global imports of green coffee ranged from 7.1 billion pounds to 7.8 billion pounds and averaged 7.5 billion for the period (table 28). During the last 5 crop years nine countries annually accounted for over 80 percent of all green coffee imports. The following tabulation shows the share of world coffee imports that each of the nine principal consuming countries accounted for in crop years in 1972/73 and 1976/77:

Country	1972/73 1/	1976/77 1/
United States	40.1	34.1
West Germany	10.1	12.4
France	8.2	9.3
Italy	5.6	6.0
Japan	4.0	5.2
Netherlands	4.1	4.9
United Kingdom	4.7	4.1
Sweden	3.2	3.0
Canada	2.7	2.9
Total	82.7	81.9

1/ Crop year October-September.

The United States is the world's largest importer of coffee, and in 1976/77 imported about 34 percent of all green coffee entering international trade. In the same year, West Germany imported approximately 12 percent, while France accounted for about 9 percent.

Of the major consuming countries during the 1974/76 period, Sweden, at an annual average of 31.8 pounds (green-coffee equivalent), had the highest per capita consumption of green coffee. Finland was second at 28.0 pounds and was followed by Denmark at 26.1 pounds, Holland at 21.6 pounds, Norway at 20.8 pounds, Switzerland at 19.9 pounds, Belgium at 18.4 pounds, West Germany at

12.7 pounds, the United States at 12.7 pounds, and France at 11.9 pounds. 1/ Trade and Government sources believe that 1977 European and U.S. per capita consumption levels will be down about 5 to 15 percent primarily because of high price levels of that year.

Effect of the International Coffee Agreements on the United States

The United States has emphasized two major objectives in its membership in recent international coffee agreements: (1) guarding the interests of the U.S. consumer through ample coffee supplies at reasonable prices and (2) the economic development of coffee-producing countries. 2/

It is impossible to say what the average price of coffee would have been to the U.S. consumer without the influence of the agreements. However, it is generally assumed that retail coffee prices would have been lower during 1963-72 in the absence of the agreements. This assumption is based on the following:

(1) There were large annual coffee surpluses concurrent with rising price trends during 1963-72, while in the period immediately before agreement regulation there were significant surpluses but declining prices;

(2) Substantially lower coffee prices existed in countries, such as Japan, which were not subject to agreement quota regulations; and

(3) Many member producing countries shipped less than their quota, thus limiting the effectiveness of the quota mechanism in controlling price rises.

Under the agreement regulations, producing countries were not required to export the full amount of their quotas. Consequently, some countries, such as Brazil, which followed price maintenance policies, shipped less than their quotas. When prices rose 22 percent in 1969-70, adjustment regulations increased the world quota by 6 million bags, but shipments amounted to 2.5 million bags under the quota. Brazil received 37 percent of the total 1969-70 quota increases; however, it shipped only 25 percent of its increased quota.

A 1969 report by the Comptroller General of the United States projected the total foreign aid made available through the International Coffee Agreement and the U.S. share of the aid during 1964-67. The basic methodology

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1/ Data compiled from George Gordon Patton & Co., Coffee Intelligence, vol. 39, No. 2, April 1977, and the Economic Research Service of the U.S. Department of Agriculture.

2/ The discussion of the economic effects of the Agreements through 1972 is taken from a U.S. International Trade Commission report to the Senate Committee on Finance, International Commodity Agreements, November 1975.

used for the projection was to estimate what the price of coffee, the world quantity of coffee exports, and the quantity of exports to the United States would have been in the absence of the agreement by assuming that the characteristics of the world coffee market before the 1962 agreement would have prevailed for the duration of the agreement. The result showed that U.S. coffee aid during 1964-67 averaged $314 million a year, which was about 8 percent of official aid disbursements during the same period.

Most forms of U.S. economic development aid are intended for specific development projects or general development objectives. Under the 1962 agreement, no explicit attention was given to the use to which coffee-producing countries put their coffee foreign aid. The 1968 agreement did establish a diversification fund, which was to enable producing countries to shift coffee resources to other economic activities. This fund insured that at least some portion of the coffee aid received through the 1968 agreement would be used for development purposes.

Generally speaking, during 1963-72, the agreements achieved a degree of success in stabilizing the wild price fluctuations associated with the coffee "boom or bust" cycle. Between 1973 and the fall of 1976, the agreement was essentially an extension of the 1972 agreement, with no economic provisions. During this time the agreement contained no provision for export-import controls, quota arrangements, or price stabilization mechanisms, and consequently it had little or no effect on the supply and price of coffee.

The 1976 agreement came into effect October 1, 1976. Its economic provisions have not been used because the green coffee reference price has been significantly higher than the reference price needed to implement the agreement's export quotas. 1/ The 1976 agreement does provide for more consumer-oriented provisions than previous agreements. The agreement provides that when quotas are suspended consuming countries are not obligated to exclude coffee from any source--which is a change from the 1968 agreement. The new agreement also provides that a country's export quota will be partially determined (30 percent) by the country's stock level in relation to world stocks. Consequently, producing countries may increase their quotas by holding stocks, providing protection for consumers during periods of low production. Only exports to importing members will be considered in determining an exporter's quota. Also, 70 percent of a member's export quota will be based on export performance for certain past crop years or the export performance for the most recent crop year, whichever is higher; this variable base was to provide incentive to producers to export the largest amount possible immediately following the period of tight supply after 1975.

The new agreement does not provide for price ceilings nor does it provide for a centrally controlled buffer stock.

1/ It should be noted that the agreement provides for a review of the trigger price level in the second and fourth years, with revisions taking place if so agreed by producers and consumers. In February 1978, a 16-member board of the International Coffee Organization began this review process. Currently, no conclusions have been reached regarding adjustments to the reference price, but the review must be completed by Sept. 30, 1978.

Appendix A

Part 11, Subpart A, Schedule 1, of the Tariff Schedules of the United States Annotated

SS P	Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty 2
			PART 11. - COFFEE, TEA, MATÉ, AND SPICES			
			Subpart A. - Coffee and Coffee Substitutes, Tea, Maté			
			Subpart A headnotes:			
			1. The rates of duty specified in items 160.10, 160.30, and 160.31, shall not apply to any product imported into Puerto Rico upon which a duty is imposed under the authority of section 319 of this Act.			
			2. All immediate containers and wrappings, and all intermediate containers, of tea (item 160.50) in packages of less than 5 pounds, net, each are dutiable at the rates applicable to such containers and wrappings if imported empty.			
			3. Pursuant to 21 U.S.C. 41 the importation of impure tea is prohibited, except as provided for in part 30 of schedule 8.			
	160.10		Coffee, crude, roasted, or ground, whether or not the caffeine has been removed	.....	Free	Free
		30	Crude	lb.		
		40	Roasted or ground	lb.		
			Coffee extracts, essences, and concentrates (including soluble or instant coffee):			
	160.20	00	Soluble or instant coffee (containing no admixture of sugar, cereal, or other additive)	lb.....	Free	Free
	160.21	00	Other	lb.....	Free	3¢ per lb.
			Chicory roots:			
	160.30	00	Crude	lb.....	Free	2¢ per lb.
	160.35	00	Ground or otherwise prepared	lb.....	1.5¢ per lb.	4¢ per lb.
	160.40	00	Other coffee substitutes, and mixtures of coffee with coffee substitutes	lb.....	1.5¢ per lb.	3¢ per lb.
	160.50	00	Tea, crude or prepared	lb.....	Free	Free
			Maté:			
	160.60	00	Crude	lb.....	Free	Free
	160.65	00	Prepared	lb.....	Free	10% ad val.

BEST DOCUMENT AVAILABLE

Appendix B

Statistical Tables

Table 1.--Coffee, crude, roasted, or ground, and coffee extracts, essences, and concentrates: U.S. rates of duty, by TSUS items, Aug. 31, 1963, to present

(Cents per pound)

TSUS item No.	Description	Authorization and effective date of rate changes	Rate of duty	
			Col. 1	Col. 2
160.10	Coffee, crude, roasted, or ground, whether or not the caffeine has been removed.	Adoption of TSUS; Aug. 31, 1963.	Free	Free
160.20	Coffee extracts, essences, and concentrates (including soluble or instant coffee).	Adoption of TSUS; Aug. 31, 1963.	3¢ per lb	3¢ per lb
	Coffee extracts, essences, and concentrates (including soluble or instant coffee):			
160.20	Soluble or instant coffee (containing no admixture of sugar, cereal, or other additive).	Public Law 88-337; June 30, 1964.	Free	Free
	Coffee extracts, essences, and concentrates (including soluble or instant coffee)			
160.21 1/	If products of Cuba	Adoption of TSUS; Aug. 31, 1963.	2.4¢ per lb (s)	-
	Coffee extracts, essences, and concentrates (including soluble or instant coffee):			
	Soluble or instant coffee (containing no admixture of sugar, cereal, or other additive)			
160.21	Other	Public Law 88-337; June 30, 1964.	3¢ per lb	3¢ per lb
		Pres. Proc. 3822 (Kennedy round); Jan. 1--		
		1968	2¢ per lb	3¢ per lb
		1969	1.5¢ per lb	3¢ per lb
		1970	1.0¢ per lb	3¢ per lb
		1971	Free	3¢ per lb
		1972	Free	3¢ per lb
	Coffee extracts, essences, and concentrates (including soluble or instant coffee):			
	Soluble or instant coffee (containing no admixture of sugar, cereal or other additive)			
	Other			
160.22 1/	If products of Cuba	Public Law 88-337; June 30, 1964.	2.4¢ per lb (s)	-
		Reference to item deleted pursuant to Pres. Proc. 3822 (Kennedy round); Jan. 1, 1968	-	-

1/ By virtue of sec. 401 of the Tariff Classification Act of 1962, the application to products of Cuba of either a preferential or other reduced rate of duty in col. 1 was suspended. The provisions for preferential Cuban rates continued to be reflected in the schedules because, under sec. 401, the rates therefor in col. 1 still formed the bases for determining the rates of duty applicable to certain products, including "Philippine articles."

In Proclamation 3447, dated Feb. 3, 1962, the President, acting under authority of sec. 620(a) of the Foreign Assistance Act of 1961, as amended (75 Stat. 445), prohibited the importation into the United States of all goods of Cuban origin and all goods imported from or through Cuba, subject to such exceptions as the Secretary of the Treasury determines to be consistent with the effective operation of the embargo.

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Table 2.--International coffee agreements: Membership by exporting and importing countries, 1977

Exporting members		Importing members
Benin	Ivory Coast	Australia
Bolivia	Jamaica	Austria
Brazil	Kenya	Belgium
Burundi	Liberia	Canada
Cameroon	Madagascar	Cyprus
Central African Republic	Mexico	Czechoslovakia
Colombia	Nicaragua	Denmark
People's Republic of the Congo	Nigeria	West Germany
Costa Rica	Panama	Finland
Dominican Republic	Papua New Guinea	France
Ecuador	Paraguay	Hungary
El Salvador	Peru	Ireland
Ethiopia	Rwanda	Japan
Gabon	Sierre Leone	Luxembourg
Ghana	Tanzania	Netherlands
Guatemala	Timor	New Zealand
Guinea	Togo	Norway
Haiti	Trinidad and Tobago	Portugal
Honduras	Uganda	Spain
India	Venezuela	Sweden
Indonesia	Zaire	Switzerland
		United Kingdom
		United States of America
		Yugoslavia

Source: International Coffee Organization.

Table 3.--Coffee: U.S. average annual retail prices, consumer price index, and constant-dollar average annual retail prices, 1973-77

Year	Average annual retail price of 1-pound vacuum can	Consumer price index--all items (1967=100)	Constant-dollar average annual retail price
	Cents per pound		Cents per pound
1973	104.0	133.1	78.1
1974	122.9	147.7	83.2
1975	133.4	161.2	82.8
1976	187.3	170.5	109.9
1977	347.2	181.5	191.3

Source: Compiled from official statistics of the U.S. Bureau of Labor Statistics.

Table 4.--Coffee, crude, roasted, or ground, and coffee extracts, including soluble or instant coffee: U.S. production, exports, imports, and apparent consumption, 1973-77

Year	Production 1/	Exports	Imports	Apparent consumption 2/	Ratio of imports to consumption
	Million pounds 3/				Percent
1973	31.6	183.4	3,096.8	2,881.1	107.5
1974	28.0	215.3	2,750.9	2,745.6	100.2
1975	21.7	148.7	2,848.9	2,651.8	107.4
1976	18.0	172.8	2,837.0	2,737.6	103.6
1977	22.0	259.2	2,160.0	2,057.1	105.0

1/ Farm production in Hawaii and Puerto Rico, on a crop-year basis, as reported by the U.S. Department of Agriculture.

2/ Adjusted for yearend stocks as reported by the U.S. Department of Commerce.

3/ Data are in terms of crude (green) coffee equivalents: 1.19 pounds of green beans equals 1 pound of roasted coffee, and 2.5 pounds of green beans equals 1 pound of soluble or instant coffee.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Table 5.--Coffee: U.S. daily consumption of coffee, by types, 1973-77 1/

(In cups per person)

Year	Regular	Instant	Total
1973	1.61	0.69	2.30
1974	1.50	.75	2.25
1975	1.52	.68	2.20
1976	1.48	.63	2.11
1977	1.39	.64	2.03

1/ Persons 10 years of age and older.

Source: International Coffee Organization and the Pan American Coffee Bureau.

Table 6.--Coffee, crude: U.S. production, imports for consumption, exports, and apparent consumption, 1973-77

(Quantity in millions of pounds; value in millions of dollars)

Year	Production 1/	Imports	Exports	Apparent consumption	Ratio (percent) of imports to consumption
			Quantity		
1973	32	2,883	145	2,770	104
1974	28	2,545	174	2,399	106
1975	22	2,684	101	2,605	103
1976	18	2,617	136	2,499	105
1977	22	1,959	208	1,773	110
			Value		
1973	2/	1,566	84	3/	3/
1974	2/	1,504	124	3/	3/
1975	2/	1,562	63	3/	3/
1976	2/	2,633	148	3/	3/
1977	2/	3,861	405	3/	3/

1/ Farm production in Hawaii and Puerto Rico, on a crop-year basis, as reported by the U.S. Department of Agriculture.
2/ Not available.
3/ Not meaningful.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Table 7.--Coffee, roasted or ground: U.S. production, imports for consumption, exports, and apparent consumption, 1973-77

(Quantity in millions of pounds, green weight; value in millions of dollars)

Year	Production 1/	Imports	Exports	Apparent consumption 2/	Ratio (percent) of imports to consumption
	Quantity				
1973	2,148	42	16	2,174	2
1974	2,052	25	15	2,062	1
1975	2,054	43	24	2,073	2
1976	2,119	49	19	2,149	2
1977	1,552	60	31	1,581	4
	Value				
1973	3/	20	13	4/	4/
1974	3/	15	13	4/	4/
1975	3/	25	22	4/	4/
1976	3/	46	25	4/	4/
1977	3/	99	36	4/	4/

1/ Based on U.S. Department of Commerce data on green coffee roastings.
2/ Not adjusted for stocks.
3/ Not available.
4/ Not meaningful.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 8.--Coffee extracts, including instant coffee: U.S. production, imports for consumption, exports, and apparent consumption, 1973-77

(Quantity in millions of pounds, green weight; value in millions of dollars)

Year	Production 1/	Imports	Exports	Apparent consumption 2/	Ratio (percent) of imports to consumption
	Quantity				
1973	420	172	22	570	30
1974	404	180	26	558	32
1975	400	122	28	494	25
1976	400	171	18	553	31
1977	339	141	20	460	31
	Value				
1973	3/	102	18	4/	4/
1974	3/	119	25	4/	4/
1975	3/	86	29	4/	4/
1976	3/	178	21	4/	4/
1977	3/	285	35	4/	4/

1/ Based on U.S. Department of Commerce green coffee roastings for soluble use.

2/ Not adjusted for stocks.

3/ Not available.

4/ Not meaningful.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 9.--Green coffee: International Coffee Organization (ICO) composite prices, 1/ by months, 1973-77 and January 1978

(In cents per pound)

Month	1973	1974	1975	1976	1977	1978
January	57.04	66.22	64.96	94.97	227.89	200.11
February	60.75	70.78	63.80	101.94	251.20	-
March	61.77	72.04	60.71	100.50	324.59	-
April	59.78	72.89	59.53	123.15	333.49	-
May	61.63	73.74	60.29	138.93	295.95	-
June	62.78	71.49	63.00	149.24	269.81	-
July	62.85	68.45	2/60.43	142.34	246.15	-
August	62.33	64.55	88.49	150.87	240.17	-
September	64.05	63.04	84.59	164.53	236.02	-
October	64.05	63.04	84.59	164.53	221.71	-
November	64.82	64.57	82.73	181.28	228.51	-
December	65.09	65.63	86.84	207.85	201.15	-
Average	62.24	68.03	71.66	143.34	256.39	-

1/ ICO composite price, on the basis of the 1968 agreement, of 4 major coffee growths, i.e., Colombian mild arabica, other mild arabica, unwashed arabica (Brazilian), and robusta, New York price.
2/ Average through July 1-18 only.

Source: International Coffee Organization.

Table 10.--Coffee: U.S. average wholesale prices 1/ for regular roasted (1-pound vacuum can) and instant (6-ounce jar), by months, 1973-77

(Per pound)

Month	1973		1974		1975		1976		1977	
	Regular	Instant	Regular	Instant	Regular	Instant	Regular	Instant	Regular	Instant
January	$1.01	$1.13	$1.18	$1.28	$1.22	$1.48	$1.46	$1.78	$2.63	$2.55
February	1.01	1.14	1.12	1.28	1.22	1.48	1.61	1.86	2.96	2.61
March	1.04	1.15	1.20	1.39	1.22	1.48	1.75	1.86	3.58	3.12
April	1.05	1.17	1.20	1.41	1.22	1.48	1.61	1.94	3.70	3.32
May	1.08	1.17	1.23	1.44	1.22	1.48	1.96	2.05	3.90	3.51
June	1.08	1.17	1.25	1.44	1.22	1.48	1.99	2.05	4.00	3.51
July	1.08	1.17	1.29	1.48	1.22	1.48	2.19	2.19	3.74	3.51
August	1.08	1.17	1.26	1.48	1.35	1.54	2.19	2.14	3.74	3.47
September	1.08	1.24	1.22	1.48	1.40	-	2.19	2.18	3.67	3.42
October	1.08	1.26	1.22	1.48	1.46	-	2.24	2.21	3.67	3.36
November	1.09	1.26	1.22	1.48	1.46	-	2.32	2.32	2.36	3.36
December	1.11	1.26	1.22	1.48	1.46	1.78	2.63	2.44	3.29	3.36
Average	1.07	1.19	1.22	1.43	1.30	1.52	2.01	2.09	3.52	3.28

1/ Producer to wholesaler or jobber, delivered destination Eastern United States.

Source: Compiled from official statistics of the U.S. Bureau of Labor Statistics.

Table 11.--Coffee: U.S. average retail prices for regular roasted (1-pound vacuum can) and instant (6-ounce jar), by months, 1973-77

(Per pound)

Month	1973		1974		1975		1976		1977	
	Regular	Instant	Regular	Instant	Regular	Instant	Regular	Instant	Regular	Instant
January	$0.96	$1.10	$1.11	$1.21	$1.29	$1.55	$1.52	$1.80	$2.55	$2.42
February	.98	1.13	1.13	1.23	1.29	1.56	1.53	1.84	2.80	2.57
March	.99	1.13	1.15	1.26	1.29	1.56	1.56	1.86	3.00	2.68
April	1.00	1.14	1.18	1.31	1.29	1.56	1.63	1.90	3.39	2.84
May	1.03	1.16	1.20	1.35	1.27	1.56	1.71	1.94	3.74	3.04
June	1.06	1.17	1.23	1.39	1.27	1.56	1.79	2.00	3.94	3.20
July	1.06	1.18	1.25	1.42	1.27	1.56	1.92	2.07	3.89	3.30
August	1.07	1.18	1.29	1.46	1.28	1.56	2.02	2.15	3.82	3.44
September	1.07	1.18	1.31	1.48	1.33	1.59	2.08	2.21	3.75	3.51
October	1.09	1.17	1.32	1.50	1.43	1.61	2.12	2.23	3.69	3.50
November	1.08	1.19	1.36	1.50	1.49	1.74	2.23	2.28	3.57	3.49
December	1.09	1.20	1.29	1.51	1.51	1.77	2.38	2.34	3.52	3.48
Average	1.04	1.16	1.23	1.39	1.33	1.60	1.87	2.05	3.47	3.12

Source: Compiled from official statistics of the U.S. Bureau of Labor statistics.

Table 12.--Coffee, regular and instant: Percentage distribution of U.S. sales, by companies and by selected brands, 1974 and 1976

Company and selected brands	Regular coffee		Instant coffee	
	1974	1976	1974	1976
General Foods Corp.				
Maxwell House	25.3	24.1	25.5	24.5
Maxim	-	-	7.0	5.3
Sanka	4.0	4.0	11.2	11.1
Yuban	2.2	2.2	2.0	2.0
Freeze-Dried Sanka	-	-	3.6	3.1
Max-Pax and Brim	3.7	4.5	3.5	3.5
Total	35.2	34.8	52.8	49.5
Proctor & Gamble Co.				
Folger's	20.7	21.4	6.8	7.7
Hills Bro.				
Hills Bro.	7.7	7.5	1.0	.8
Standard Brands:				
Chase & Sanborn	4.3	3.5	2.0	-
Nestle:				
Nescafe	-	-	11.0	12.6
Taster's Choice	-	-	11.7	11.8
Decaf	-	-	1.4	1.0
Taster's Choice Decaffeinated	-	-	5.1	5.5
Total	-	-	29.2	30.9
Borden:				
Kava	-	-	.8	1.3
All other	32.1	32.8	7.4	9.8
Grand total	100.0	100.0	100.0	100.0

Source: George Gordon Paton & Co. Inc., Coffee Intelligence, vol. 39, No. 5, July 1977.

Table 13.--Coffee, crude: 1/ U.S. exports of domestic merchandise, by principal markets, 1973-77

Market	1973	1974	1975	1976	1977
	Quantity (1,000 pounds)				
West Germany	1,326	363	0	6	10,754
Canada	21,048	12,502	18,357	14,895	10,201
All others	2,462	2,251	446	996	4,180
Total	24,836	15,116	18,803	15,897	25,135
	Value (1,000 dollars)				
West Germany	661	296	-	5	24,704
Canada	12,209	7,931	11,899	15,815	16,013
All others	1,367	1,106	270	844	7,071
Total	14,237	9,333	12,169	16,664	47,788
	Unit value (per pound)				
West Germany	$0.50	$0.82	-	$0.87	$2.30
Canada	.58	.63	$0.65	1.06	1.57
All others	.56	.49	.61	.85	1.69
Average	.57	.62	.65	1.05	1.90

1/ Includes Schedule B item No. 0711010.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 14.--Coffee, roasted or ground: 1/ U.S. exports of domestic merchandise, by principal markets, 1973-77

Market	1973	1974	1975	1976	1977
	Quantity (1,000 pounds)				
Canada	6,984	7,555	14,967	10,000	19,089
Saudi Arabia	87	270	331	504	1,658
Hong Kong	459	540	656	661	438
Bermuda	232	202	186	227	176
Japan	557	346	325	313	134
Bahamas	151	229	182	145	183
All others	1,852	1,757	1,770	1,757	1,555
Total	10,322	10,899	18,417	13,607	23,233
	Value (1,000 dollars)				
Canada	6,759	7,865	16,524	15,317	22,972
Saudi Arabia	82	312	431	724	3,016
Hong Kong	389	496	726	951	1,041
Bermuda	199	217	226	376	432
Japan	619	406	426	500	373
Bahamas	142	195	185	236	370
All others	1,718	1,772	2,065	2,713	3,503
Total	9,909	11,263	20,583	20,818	31,707
	Unit value (per pound)				
Canada	$0.97	$1.04	$1.10	$1.53	$1.20
Saudi Arabia	.95	1.16	1.30	1.44	1.82
Hong Kong	.85	.92	1.11	1.44	2.38
Bermuda	.86	1.07	1.22	1.66	2.45
Japan	1.11	1.17	1.31	1.60	2.78
Bahamas	.94	.85	1.02	1.63	2.02
All others	.93	1.01	1.17	1.54	2.25
Average	.96	1.03	1.12	1.53	1.36

1/ Includes Schedule B item No. 0711020.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table 15.--Soluble or instant coffee: 1/ U.S. exports of domestic merchandise, by principal markets, 1973-77

Market	1973	1974	1975	1976	1977
	Quantity (1,000 pounds)				
Canada	4,253	3,284	6,054	2,257	2,574
Japan	427	2,270	1,204	776	948
Saudi Arabia	38	142	36	113	612
Australia	269	103	193	87	174
Republic of China	169	355	230	269	297
Singapore	56	159	253	113	205
All others	1,299	1,594	1,607	1,435	1,284
Total	6,511	7,907	9,577	5,044	6,094
	Value (1,000 dollars)				
Canada	9,566	8,378	16,872	6,154	9,442
Japan	1,180	5,879	3,504	2,636	5,005
Saudi Arabia	84	346	129	402	1,883
Australia	520	278	290	298	1,324
Republic of China	430	889	535	716	898
Singapore	168	424	798	418	898
All others	2,808	3,630	4,225	4,476	5,900
Total	14,756	19,824	26,353	15,100	25,350
	Unit value (per pound)				
Canada	$2.25	$2.55	$2.79	$2.73	$3.67
Japan	2.76	2.59	2.91	3.40	5.28
Saudi Arabia	2.21	2.44	3.58	3.56	3.08
Australia	1.93	2.70	1.50	3.43	7.61
Republic of China	2.54	2.50	2.33	2.66	3.02
Singapore	3.00	2.67	3.15	3.70	4.38
All others	2.16	2.28	2.63	3.12	4.60
Average	2.27	2.51	2.75	2.99	4.16

1/ Includes Schedule B item No. 0713000.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 16.--Coffee, crude: 1/ U.S. exports of domestic and foreign merchandise, 1973-77

Year	Domestic merchandise	Foreign merchandise	Total
	Quantity (1,000 pounds)		
1973	24,836	119,806	144,642
1974	15,116	158,927	174,043
1975	18,803	81,788	100,591
1976	15,897	119,664	135,561
1977	25,135	183,203	208,338
	Value (1,000 dollars)		
1973	14,237	69,885	84,122
1974	9,333	114,566	123,899
1975	12,169	50,590	62,759
1976	16,664	131,019	147,683
1977	47,788	357,376	405,164
	Unit value (per pound)		
1973	$0.57	$0.58	$0.58
1974	.62	.73	.71
1975	.65	.62	.62
1976	1.05	1.09	1.09
1977	1.90	1.95	1.94

1/ Includes Schedule B item No. 0711010.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 17.--Coffee, roasted or ground: 1/ U.S. exports of domestic and foreign merchandise, 1973-77

Year	Domestic merchandise	Foreign merchandise	Total
	Quantity (1,000 pounds)		
1973	10,322	3,513	13,835
1974	10,899	1,520	12,419
1975	18,417	1,927	20,344
1976	13,607	2,714	16,321
1977	23,233	2,695	25,928
	Value (1,000 dollars)		
1973	9,909	2,713	12,622
1974	11,263	1,668	12,931
1975	20,582	1,869	22,451
1976	20,818	4,061	24,879
1977	31,707	4,105	35,811
	Unit value (per pound)		
1973	$0.96	$0.77	$0.91
1974	1.03	1.10	1.04
1975	1.12	.97	1.10
1976	1.53	1.50	1.52
1977	1.36	1.52	1.38

1/ Includes Schedule B item No. 0711020.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 18.--Soluble or instant coffee: 1/ U.S. exports of domestic and foreign merchandise, 1973-77

Year	Domestic merchandise	Foreign merchandise	Total
	Quantity (1,000 pounds)		
1973	6,511	2,399	8,910
1974	7,907	2,690	10,597
1975	9,577	1,696	11,274
1976	5,044	2,082	7,126
1977	6,094	1,917	8,011
	Value (1,000 dollars)		
1973	14,756	3,179	17,935
1974	19,824	4,739	24,563
1975	26,353	3,083	29,436
1976	15,100	5,583	20,863
1977	25,350	10,069	35,419
	Unit value (per pound)		
1973	$2.27	$1.32	$2.01
1974	2.51	1.76	2.32
1975	2.75	1.82	2.61
1976	2.99	2.68	2.90
1977	4.16	5.25	4.42

1/ Includes Schedule B item No. 0713000.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 19.--Coffee, crude, roasted, or ground, and coffee extracts, including soluble or instant coffee: 1/ U.S. imports for consumption, 1973-77

Year	Total	Crude (green)	Roasted or ground	Soluble coffee and coffee extracts
	Quantity (million pounds) 2/			
1973	3,097	2,883	42	172
1974	2,750	2,545	25	180
1975	2,849	2,684	43	122
1976	2,837	2,617	49	171
1977	2,160	1,959	60	141
	Value (million dollars)			
1973	1,688	1,566	20	102
1974	1,638	1,504	15	119
1975	1,673	1,562	25	86
1976	2,857	2,633	46	178
1977	4,245	3,861	99	285

1/ Includes TSUS item Nos. 160.10, 160.20, and 160.21.

2/ Data are in terms of crude (green) coffee equivalents: 1.19 pounds of green beans equals 1 pound of roasted coffee, and 2.5 pounds of green beans equals 1 pound of soluble coffee extracts.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 20.--Coffee, crude: 1/ U.S. imports for consumption, by principal sources, 1973-77

Source	1973	1974	1975	1976	1977
	Quantity (million pounds)				
Brazil	609	361	496	409	324
Colombia	379	409	450	356	258
Mexico	217	175	220	247	186
El Salvador	139	147	135	138	137
Uganda	122	124	127	124	128
Indonesia	83	125	101	143	114
Guatemala	147	145	116	99	110
Ivory Coast	152	99	128	176	89
All other	1,035	960	911	925	613
Total	2,883	2,545	2,684	2,617	1,959
	Value (million dollars)				
Brazil	363	236	337	497	625
Colombia	253	280	308	379	517
Mexico	122	107	133	254	370
El Salvador	81	88	68	154	285
Uganda	55	66	60	106	245
Indonesia	31	56	40	105	223
Guatemala	83	91	64	105	211
Ivory Coast	68	54	75	172	187
All other	510	526	477	861	1,198
Total	1,566	1,504	1,562	2,633	3,861
	Unit value (per pound)				
Brazil	$0.60	$0.65	$0.68	$1.21	$1.93
Colombia	.67	.68	.68	1.06	2.00
Mexico	.56	.61	.60	1.03	1.99
El Salvador	.58	.60	.50	1.12	2.08
Uganda	.45	.53	.47	.85	1.91
Indonesia	.37	.45	.40	.73	1.96
Guatemala	.56	.63	.55	1.06	1.92
Ivory Coast	.45	.55	.59	.98	2.10
All other	.49	.55	.52	.93	1.95
Average	.54	.59	.58	1.01	1.97

1/ Includes TSUSA item No. 160.1020.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 21.--Coffee, roasted or ground: 1/ U.S. imports for consumption, by principal sources, 1973-77

Source	1973	1974	1975	1976	1977
	Quantity (1,000 pounds)				
Dominican Republic	10,000	7,748	15,313	12,949	11,245
Mexico	10,432	5,258	6,547	10,699	9,564
Colombia	563	4,105	3,295	8,069	19,635
Costa Rica	1	38	1,843	375	4,079
Brazil	13,150	175	7,592	4,622	1,107
Panama	0	0	0	349	656
El Salvador	1	46	0	233	719
All other	737	3,704	1,493	4,099	3,003
Total	34,883	21,074	36,084	41,395	50,008
	Value (1,000 dollars)				
Dominican Republic	6,796	5,554	9,437	16,914	27,279
Mexico	5,931	3,962	5,386	12,120	26,600
Colombia	321	2,557	2,061	7,410	22,521
Costa Rica	1	27	1,359	670	12,427
Brazil	6,577	211	5,586	4,365	1,720
Panama	-	-	-	309	1,059
El Salvador	1	32	-	181	953
All other	600	2,593	1,488	4,510	6,101
Total	20,227	14,936	25,317	46,479	98,660
	Unit value (per pound)				
Dominican Republic	$0.68	$0.72	$0.62	$1.31	$2.43
Mexico	.57	.75	.82	1.13	2.78
Colombia	.57	.62	.63	.92	1.15
Costa Rica	-	.71	.74	1.79	3.05
Brazil	.50	1.21	.74	.94	1.55
Panama	-	-	-	.88	1.61
El Salvador	1.57	.70	-	.78	1.33
All other	.81	.70	1.00	1.10	2.03
Average	.58	.71	.70	1.12	1.97

1/ Includes TSUSA item No. 160.1040.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Table 22.--Coffee, soluble or instant: 1/ U.S. imports for consumption, by principal sources, 1973-77

Source	1973	1974	1975	1976	1977
	Quantity (1,000 pounds)				
Brazil	41,034	50,865	36,547	51,268	41,334
France	7,252	6,338	4,779	6,111	4,641
Canada	2,428	3,729	727	2,607	3,113
Spain	2,047	2,332	2,122	2,099	1,872
Colombia	76	0	77	867	1,350
West Germany	3,429	1,356	584	1,458	1,023
El Salvador	1,149	1,037	1,644	442	600
Uganda	0	685	0	216	221
All other	11,284	5,743	2,339	3,285	1,420
Total	68,699	72,085	48,819	68,353	55,574
	Value (1,000 dollars)				
Brazil	44,510	65,721	53,950	121,648	195,956
France	13,338	18,678	15,444	26,210	34,222
Canada	4,712	4,979	1,476	6,798	20,984
Spain	6,617	7,312	7,640	8,367	10,638
Colombia	45	-	58	2,302	6,824
West Germany	9,418	4,218	762	4,321	4,723
El Salvador	1,424	1,483	2,268	1,164	3,614
Uganda	-	355	-	263	285
All other	22,199	16,138	4,674	6,512	5,237
Total	102,263	118,884	86,272	177,585	282,483
	Unit value (per pound)				
Brazil	$1.08	$1.29	$1.48	$2.37	$4.74
France	1.84	2.95	3.23	4.29	7.37
Canada	1.94	1.33	2.03	2.61	6.74
Spain	3.23	3.14	3.60	3.99	5.68
Colombia	.59	-	.75	2.66	5.05
West Germany	2.75	3.11	1.30	2.96	4.62
El Salvador	1.24	1.43	1.38	2.63	6.02
Uganda	-	.52	-	1.22	1.29
All other	1.97	2.81	2.00	1.98	3.69
Average	1.49	1.65	1.77	2.60	5.08

1/ Includes TSUS item No. 160.20.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 23.--Coffee extracts, essences, and concentrates, excluding instants: 1/ U.S. imports for consumption, by principal soures, 1973-77

Source	1973	1974	1975	1976	1977
	Quantity (1,000 pounds)				
Netherlands	0	0	32	35	270
Uganda	0	0	1	0	272
El Salvador	0	0	0	0	61
Guatemala	0	0	0	0	73
Belgium	0	0	0	0	58
Brazil	0	103	0	0	54
All other	74	7	39	47	115
Total	74	110	72	82	903
	Value (1,000 dollars)				
Netherlands	-	-	43	74	823
Uganda	-	-	1	-	820
El Salvador	-	-	-	-	392
Guatemala	-	-	-	-	254
Belgium	-	-	-	-	168
Brazil	-	230	-	-	148
All other	51	15	70	100	215
Total	51	245	114	174	2,820
	Unit value (per pound)				
Netherlands	-	-	$1.34	$2.11	$3.05
Uganda	-	-	1.00	-	3.01
El Salvador	-	-	-	-	6.43
Guatemala	-	-	-	-	3.48
Belgium	-	-	-	-	2.90
Brazil	-	$2.23	-	-	2.74
All other	$0.69	2.14	1.79	2.13	1.87
Average	.69	2.23	1.58	2.12	3.12

1/ Includes TSUS item No. 160.21.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 24.--Coffee crude: World total production, by continents and by countries, crop years 1973/74 to 1977/78 1/

(In millions of pounds)

Continent and country	1973/74	1974/75	1975/76	1976/77	1977/78
South America:					
Brazil	1,918	3,638	3,042	1,230	2,249
Colombia	1,032	1,190	1,124	1,230	1,296
Ecuador	115	168	158	184	170
Venezuela	127	101	142	109	142
Peru	132	119	119	132	139
All other	21	19	21	19	19
Total	3,345	5,236	4,606	2,904	4,015
Africa:					
Ivory Coast	435	595	679	622	476
Uganda	410	397	370	357	344
Ethiopia	225	271	251	265	265
Cameroon	167	240	176	165	209
Zaire	174	152	182	190	198
Angola	423	397	159	159	185
Kenya	146	146	163	192	173
Madagascar	132	172	159	172	159
All other	283	328	299	326	314
Total	2,395	2,698	2,439	2,447	2,323
North America:					
Mexico	437	516	556	503	542
Guatemala	291	336	284	33[illegible]	337
El Salvador	315	437	308	357	311
Costa Rica	208	184	173	173	173
Honduras	103	108	112	101	150
Dominican Republic	112	116	138	93	132
All other	269	270	290	286	293
Total	1,733	1,967	1,859	1,848	1,939
Asia:					
Indonesia	364	354	379	373	391
India	203	216	196	237	254
Philippines	114	137	143	152	159
All other	27	32	36	34	36
Total	709	738	753	796	839
All other	81	87	89	96	85
Grand total	8,262	10,725	9,747	8,091	9,210

1/ Coffee marketing year begins about July in some countries and about October in others.

Source: Compiled from data of the U.S. Foreign Agricultural Service.

Note.--Because of rounding, figures may not add to the totals shown. Production estimates for some countries include cross-border movements.

Table 25.--Coffee: Export value as a share of total exports, by continents and by selected countries, 1972-76

(In percent)

Continent and country	1972	1973	1974	1975	1976
North America:					
Costa Rica	27.7	26.8	28.0	20.6	27.0
Dominican Republic	7.2	9.4	5.9	3.7	12.3
El Salvador	38.1	43.7	41.5	32.9	45.5
Guatemala	32.2	33.4	30.2	26.3	32.0
Haiti	27.8	35.5	33.6	22.8	-
Honduras	13.9	17.7	16.7	19.3	25.6
Mexico	4.7	7.6	5.4	6.4	12.0
Nicaragua	13.2	15.9	12.1	9.8	22.0
South America:					
Brazil	24.8	20.0	10.9	10.8	21.6
Colombia	49.2	39.3	44.0	43.9	53.4
Ecuador	16.4	10.9	6.0	10.0	17.6
Peru	1.5	6.2	2.3	4.0	7.6
Venezuela	.5	.5	.2	.2	-
Africa:					
Cameroon	27.0	25.6	24.8	19.4	36.3
Ethiopia	48.4	38.2	27.7	32.5	55.9
Ivory Coast	25.8	25.2	26.7	29.6	33.8
Kenya	27.3	29.2	23.6	20.9	34.7
Madagascar	27.8	29.7	26.7	22.3	25.2
Tanzania	18.9	22.1	14.8	19.0	33.6
Uganda	60.9	67.6	73.3	77.8	85.8
Asia:					
India	1.4	2.1	1.9	1.5	1.7
Indonesia	4.3	4.1	1.3	1.4	3.2

Source: Prepared or estimated on the basis of official statistics of foreign governments, other foreign source materials, reports of U.S. agricultural attaches and Foreign Service officers, results of office research, and related information from the U.S. Foreign Agricultural Service.

Table 26.--Coffee, crude: Exports by selected producing countries, crop years 1972/73 to 1976/77 1/

(In millions of pounds)

Producing country	1972/73	1973/74	1974/75	1975/76	1976/77
Brazil	2,423	2,020	1,959	1,721	1,964
Colombia	827	980	998	929	700
Ivory Coast	477	591	471	733	605
El Salvador	320	301	463	313	380
Uganda	478	434	378	322	326
Indonesia	207	250	280	286	283
Guatemala	271	252	291	251	273
Mexico	319	245	301	381	258
Kenya	159	162	144	178	190
All other	2,457	2,355	2,193	2,363	1,898
Total	7,938	7,590	7,478	7,477	6,877

1/ Crop year is October-September.

Source: Compiled from statistics of the International Coffee Organization.

Note.--Because of rounding, figures may not add to the totals shown.

Table 27.--Green coffee: Exports from specified countries, by continents and by countries of destination, 1976

(In millions of pounds)

Continent and country of destination	Brazil	Colombia 1/	Ivory Coast	Mexico	Indonesia	Guatemala	Total
North America:							
United States	615	333	105	240	118	79	1,490
Canada	17	3	3	0	0	2	26
All other	0	2/	0	0	0	2/	3/
Total	633	336	109	240	118	81	1,517
Europe:							
West Germany	124	222	26	26	8	65	471
France	65	29	224	12	6	4	341
Italy	213	3	44	6	18	3	286
Netherlands	45	87	71	2	50	24	279
Sweden	121	63	0	1	1	5	191
United Kingdom	119	4	36	1	10	1	171
All other	524	134	70	67	31	39	864
Total	1,211	543	472	115	123	140	2,604
Asia and Oceania	110	31	55	7	58	13	275
Africa	77	1	65	0	2/	2/	143
South America	38	18	0	1	0	0	57
Not specified	0	0	10	0	0	0	10
Grand total	3/ 2,068	929	712	363	300	235	4,606

1/ Data are for October 1975-September 1976; calendar-year breakdown not available.
2/ Less than 500,000 pounds.
3/ Includes 0.28 million pounds of soluble coffee in green-coffee equivalent.

Source: Compiled from data of the U.S. Foreign Agricultural Service.

Note.--Because of rounding, figures may not add to the totals shown.

Table 28.--Coffee, crude: World imports, by selected markets, crop years 1972/73 to 1976/77 1/

(In million of pounds)

Market	1972/73	1973/74	1974/75	1975/76	1976/77 2/
United States	3,129	3,005	2,701	2,888	2,434
West Germany	770	724	767	845	888
France	624	670	673	719	665
Italy	428	465	436	467	430
Japan	307	237	249	354	372
Netherlands	312	356	328	395	353
United Kingdom	358	338	243	338	289
Sweden	245	249	248	266	213
Canada	210	210	225	231	204
All other	1,273	1,343	1,354	1,346	1,293
Total	7,656	7,597	7,224	7,849	7,141

1/ Crop year is October-September.
2/ Preliminary.

Source: Compiled from statistics of the International Coffee Organization.

Appendix C

Excerpts from International Commodity Agreement
U.S. Congress, Senate Committee on Finance,
94th Cong., 1st Sess., November 1975

Circumstances which led to the formulation of the agreements, their structure, and their operations

The coffee market was characterized by persistent overproduction and depressed prices from the mid-1920's to the early 1940's. Although several international conferences were held to discuss measures intended to be of benefit to the coffee trade, no definitive agreements were reached until the outbreak of World War II, when the Inter-American Coffee Agreement was signed. This agreement, which was signed in 1940 by the United States and 14 Latin American coffee-producing nations, was intended to solidify U.S. relations with Latin America during World War II and deal with the particular wartime problem created for Latin American producers by the closing of European markets, rather than to solve basic coffee problems. The agreement functioned through annual import quotas for the U.S. market, both for members and nonmembers, and export quotas for members to other markets. No provisions for price controls were contained in the agreements.

The quota arrangements of the agreement were terminated in 1945 (at the end of World War II), and the agreement expired in 1948, with the Inter-American Coffee Board reporting that the oversupply problem was under control. After World War II the demand for coffee increased, and by the late 1950's world coffee production was again much larger than demand, and prices were declining sharply. In August 1961, U.S. Secretary of the Treasury Douglas Dillon formally declared that the United States was "prepared to join a workable coffee agreement, to use its good offices to urge the participation of other consuming countries, and to help in the enforcement of export quotas through the use of import controls," and "the United States would propose that a new agreement be drafted to achieve these ends."

Thereafter, negotiations moved swiftly as an International Coffee Conference was held in July and August of 1962, under the sponsorship of the United Nations. At the conference, the International Coffee Agreement, 1962, was successfully negotiated and adopted. Membership in the agreement consisted of 54 countries (32 coffee-exporting and 22 coffee-importing countries), accounting for about 95 percent of world coffee imports and exports.

The agreement functioned through the International Coffee Organization (ICO) which was governed by the International Coffee Council (ICC). The Council was composed of a representative of each member country with exporting and importing members (as a group) having an equal number of votes. The number of votes each country was delegated was related to its share of total coffee trade. The stated objectives of the agreement were as follows:

(1) To achieve a reasonable balance between supply and demand on a basis which will assure adequate supplies of coffee to consumers and markets for coffee to producers at equitable prices and which will bring about long-term equilibrium between production and consumption;

(2) To alleviate the serious hardship caused by burdensome surpluses and excessive fluctuations in the prices of coffee which are harmful both to producers and to consumers;

(3) To contribute to the development of productive resources and to the promotion and maintenance of employment and income in the member countries, thereby helping to bring about fair wages, higher living standards, and better working conditions;

(4) To assist in increasing the purchasing power of coffee-exporting countries by keeping prices at equitable levels and by increasing consumption;

(5) To encourage the consumption of coffee by every possible means; and,

(6) In general, in recognition of the relationship of the trade in coffee to the economic stability of markets for industrial products, to further international cooperation in connection with world coffee problems.

These objectives were to be attained principally through a system of variable export quotas. Each exporting member country was assigned a basic quota which was negotiated prior to ratification of the agreement. The annual quotas were established for each year (beginning October 1) by a distributed two-thirds majority vote (i.e., a two-thirds majority vote of the importers and exporters voting separately). The annual quotas were based on an estimate of total world coffee imports and probable exports from nonmember countries. Each country's annual quota was determined by applying its share of the basic quota to the annual quota. The annual quotas were broken down into quarterly quotas which were to be, as nearly as possible, 25 percent of the annual export quotas. Exporting member countries were required to affix certificates of origin to coffee exports to member countries. Importing member countries were to refuse any shipments from exporting countries not accompanied by valid certificates.

Tha annual quota limited exports from member countries to "traditional markets." Excluded were exports to "new markets" consisting of 29 countries with low coffee consumption.

One of the chief problems encountered with the quota control system was the provision permitting unlimited sales to "new markets." Coffee transshipments through nonmember countries did not require certification of origin. Consequently, substantial amounts of coffee shipped to "new markets" were subsequently transshipped to the higher priced markets of member countries.

In order to remedy the transshipment problem, the ICC adopted additional control measures in 1966 and 1967. Imports of coffee by members from nonmembers were limited to the average annual imports of 1960-62. Member country transshipments of coffee through nonmember countries had to be accompanied by a certificate of origin and were valid only if they had an attached ICC-issued stamp corresponding to the amount of coffee shipped.

The mechanism for quota adjustment was modified after 1965, to allow quota adjustments with respect to the demand for coffee of a particular type. Before that time, the annual quota was adjusted to changing prices on an ad hoc basis. After 1965 the annual quota was adjusted whenever an indicator

price fell below or rose above a predetermined level. The indicator price was an average for the three major types of coffee. Later the ICC adopted a system for adjusting annual and quarterly quotas in relation to the movement of prices for each of four different types of coffee in accordance with its own indicator price.

The agreement's policy on coffee stocks was undefined. Although Brazil and Colombia traditionally performed the function of stockpiling, there was no precise obligation on the part of any country to hold stocks.

The International Coffee Agreement, 1962, expired on September 30, 1968, and was replaced by a similar 5-year agreement--The International Coffee Agreement, 1968, signed by 53 member governments (34 exporting and 19 importing), effective October 1, 1968.

The objectives and basic mechanisms of the 1968 agreement remained unaltered from those of the 1962 agreement, although major changes were made with respect to a diversification fund and individual members' production goals. The diversification fund was established to enable exporting countries, heavily dependent on the production of coffee, to shift resources to other economic activities. All members with an export entitlement of 100,000 bags or more were required to contribute 60 cents per bag of coffee exported to quota markets. Importing members were allowed to participate on a voluntary basis. At the close of coffee year 1971-72, the diversification fund had approved 25 projects in 21 countries.

The 1968 agreement required each member exporting country to submit periodic estimates of the production it would require to satisfy home export demand and maintain adequate stocks. After these estimates were received and accepted by the ICC, the exporting countries were required to attempt to limit their crops to the accepted levels. The ICC would keep individual production goals under constant review and could revise them to the extent necessary to insure that individual member goals were consistent with estimated world requirements. Individual exporting countries were held responsible for production control. A noncomplying country was subject to loss of any subsequent increase in export entitlements and possible suspension of voting rights.

The International Coffee Agreement, 1968, was scheduled to complete its fifth and final year of operation on September 30, 1973, but in August and September 1972, producer and consumer countries were unable to reach agreement on a working arrangement. Consequently, there was no agreement on specifics for the remainder of the 1972-73 coffee year.

At the ICC meeting in August and September 1972, an interim solution was agreed on without a Council vote. The interim solution provided for a short-term marketing arrangement without pricing provisions; it established a theoretical annual export quota. A first-quarter export quota was established, and it was provided that the Council would meet prior to December 10, 1972, to discuss arrangements for the remainder of the 1972-73 coffee year, and, unless the Council at that time confirmed the provisions of the overall quota or took alternative action, all provisions of the interim arrangement would cease to have effect.

The usual difficulties of the negotiations regarding quota size and pricing provisions were increased in 1972 because of producer insistence that prices be raised to reflect the lower value of the U.S. dollar relative to other currencies as well as Brazil's desire to have a relatively small quota (because of small Brazilian crops which resulted from freezes, thus reducing Brazil's available export supplies). In addition, a group of producer countries (21 countries that accounted for about 80 percent of the world's coffee supplies) known as the Geneva group had agreed to withhold coffee from the market to increase prices. Their actions, if not in direct violation of the terms of the International Coffee Agreement, were certainly in violation ot the spirit of the agreement.

At the November-December 1972 meetings of the International Coffee Council, producer and consumer countries were still unable to reach agreement on the quotas and prices for the adjustment of the quotas for the last three quarters of the 1972-73 coffee year, and the interim arrangement ceased to have effect.

In April 1973, the ICC approved a 2-year extension of the International Coffee Agreement for the period September 30, 1973 to September 30, 1975. The objectives of the extended agreement were stated as follows:

(1) To preserve the understanding between producers and consumers necessary for the conclusion of a new International Coffee Agreement and to avoid the consequences prejudicial to both which would result from the termination of international cooperation;
(2) To preserve the International Coffee Organization--
  (a) as a forum for the negotiation of a new agreement
  (b) as a competent and effective center for the collection and dissemination of statistical information on the international trade in coffee, in particular on prices, exports, imports, stocks, distribution and consumption of coffee, and on production and production trends.

The extended agreement contained no provision for export-import controls, quota arrangements, or price stabilization mechanisms. The infrastructure that remained was essentially a shell which served as a forum for the collection and dissemination of coffee statistics and as a basis for the negotiation of a new agreement.

SUMMARIES OF TRADE AND TARIFF INFORMATION

USITC Publication 841

Complete list of Summaries published to date in Schedule 1

Control No.	Title	Control No.	Title
1-15-1	Fresh Cut Flowers and Articles Made From Such Flowers Or Other Plant Parts		

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U.S. International Trade Commission.
Summary of trade and tariff information, prepared in terms of the Tariff schedules of the United States: coffee, TSUS item nos. 160.10, 160.20, and 160.21.
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1. Coffee. 2. Coffee--U.S. 3. Coffee--Prices.
4. Coffee--Statistics. 5. Coffee--Tariff.
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